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WITH THE EDITORS

Business Needs More Speculation

SPECULATION is the acceptance of a risk in the hope of making a profit. We had too much of it in 1929, and paid the penalty that excess always exacts. The hangover headache was terrific. As a nation we felt repentent and solemnly swore off the stuff. Being human, we cursed it, rather than our own greedy and immoderate use of it.

And while the bad taste of the morning after lingered, the politicians rushed in self-righteously with a new form of Prohibition, guaranteed to save us forever more from the Demon. It was a thing of unmitigated evil, they said; this offspring of an Old Deal in which the few exploited the many and bankers and business men were fools, if not crooks.

By some strange metamorphosis of human nature all wisdom and all honesty were suddenly concentrated in the brains and hearts of the politicians on March 4, 1933. Only to the legislators could the taxpayers look for salvation. Bankers and business men being discredited, only the exalted New Dealers could competently plan our national destiny and restore to us both justice and prosperity.

And so was forgotten the amazing economic and social advance made by capitalistic America before the New Deal was born. So was forgotten the immemorial waste, extravagance, hypocrisy and incompetence of politicians high and low.

Today, therefore, we see speculation—in its broadest sense—handcuffed and shackled. Apathy and discouragement rule the security markets. The flow of capital into long-term investment is almost completely dammed. The major urge of business and of capital is to seek preservation, rather than profit; to dodge, as far as possible, every risk. Long-term planning and investment are confined almost exclusively to the Government.

The reality is that there can be no economic progress in this country as long as the spirit of speculation is dead. Every business commitment, every industrial expansion, every investment involves an element that is speculative. When nothing is ventured, nothing is gained.

In our recent emphasis upon the destructive side of speculation, the constructive side has been ignored. Regardless of laws and theories, economic construction always has left destruction in its wake and always will. New capital under normal conditions is always competing with old capital, destroying it, replacing it, rendering better and cheaper economic service. Such is the course of progress. Always in the past this speculative competition of capital with capital has yielded aggregate profits exceeding the inevitable losses, adding constantly to the national wealth.

What we need today is more speculation.

In The Next Issue

How Roosevelt Can Break the Economic Jam

By LAURENCE STERN

Forecast of the Election's Effects
Upon Politics Upon Business

By THEODORE M. KNAPPEN

The Prospect for the Mail Order Companies

By J. C. CLIFFORD

Opportunities in Second Grade Bonds

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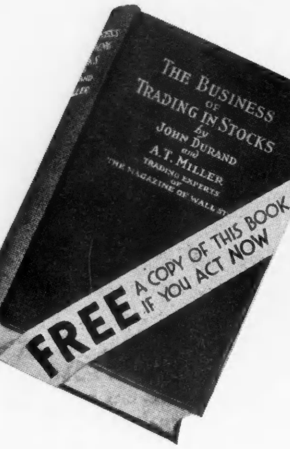

The Business of Trading in Stocks

By *John Durand and A. T. Miller*

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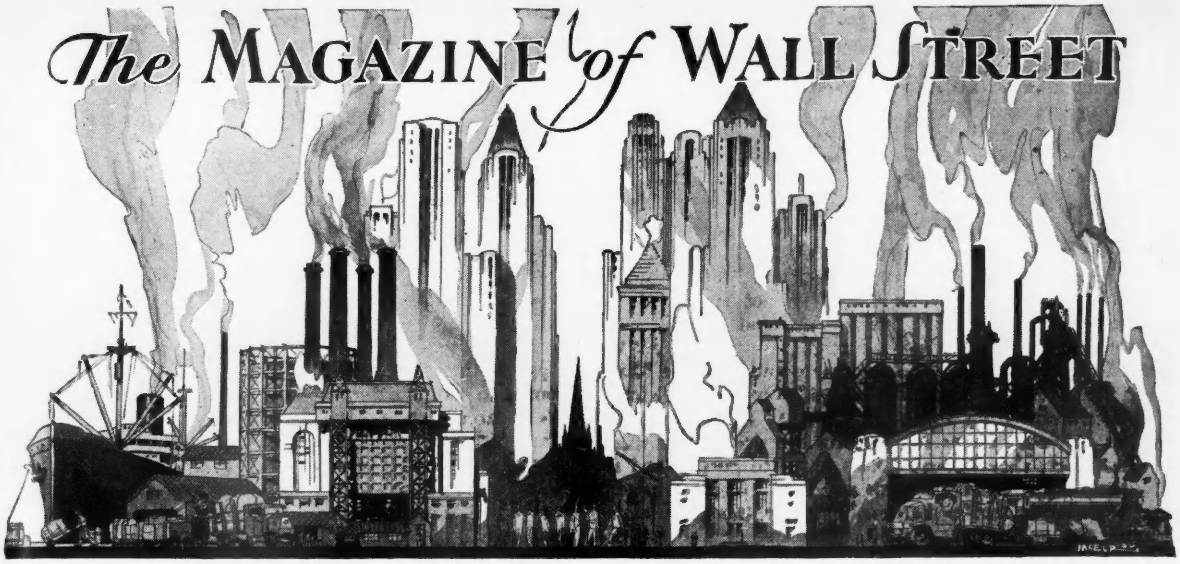

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The Trend of Events

— Uncle Sam's Credit
— Needed Regulation
— Nature Evens Up
— Sense for a Senseless Strike
— S E C in the Saddle
— The Market Prospect

UNCLE SAM'S CREDIT

THE relatively costly terms of the Government's September financing, the manner of its reception and the present level of Federal obligations all combine to suggest that if the New Deal hopes to continue the spending of emergency billions it may not find borrowing as easy as it has been heretofore. The ideal remedy would be to cut down on spending, but this would be extremely difficult for several reasons. First, the results of Federal pump-priming of the economic machine have been disappointing, which leads the pump-primers to the ready conclusion that what we need is more of it. Second, the load of unemployment relief is getting heavier, rather than lighter. Third, a large number of candidates for Congress are now seeking votes with decidedly broad hints as to the amount of Federal money they will obtain for their respective districts. In a sense, this may prove to be the most dangerous trend now confronting this country. When political fortunes are directly affected by the sectional hand-out, it is going to be exceedingly difficult for the Administration to tighten its purse strings. The probable mandate that it will get at the polls in November may well be regarded with certain misgivings by Mr. Roosevelt. There is real danger that a top-heavy partisan Congress will develop into a spenders' and inflationists' steamroller. Unless the present economic stalemate is broken—and there is no sign of nearby major change—we will begin to hear, a few months hence, loud howls from the representatives of the "peepul," howls for more dollar devaluation, more buying of silver, more spending, the veterans' bonus, greenbacks, the nationalization of credit and so on. The spree will be on. Already the momentum is increasing. Only President Roosevelt has sufficient personal power to apply the brakes. The longer he delays the harder it will be either to slow down or halt.

NEEDED REGULATION

GEORGE N. PEEK, the President's special adviser on foreign trade, advises some more regulation. We are getting pretty tired of regulation, but Mr. Peek has a kind that we like. It is

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1907—"Over Twenty-Six Years of Service"—1934

something in the nature of putting insane persons in hospitals and fools into the hands of guardians. The history of our foreign loans since those days when American banks sent beardless boys, on breathless salaries, to gather up worthless foreign paper as rapidly as possible, suggests that Americans get loony as soon as they go over seas on money missions. Our foreign lenders need more than regulation, they need body guards who will keep them on leash. During the depression we have been paying off much of our small obligation to foreigners, but have not succeeded in collecting much from them. We lend grandly and collect miserably. Today foreign investors have $4,500,000,000 of good holdings here and we have $25,000,000,000 of doubtful holdings "over there." Moreover, even if our foreign debtors had the cash to pay us, it would do us no good for we don't want their currency, they haven't gold enough to go far, and if they had it wouldn't do us any good except to hasten an inflation that we can easily stage without any more of the yellow metal. By all means, Mr. Peek, do something to save us from another attack of foreign loans!

NATURE EVENS UP

RAINS in the West fall fast and agricultural prices rise rapidly. The drought is broken, but not before it broke price disparity. With some help from A A A control the drought evened up values of farm products with those of "boughten" goods. And now the blessed rains are disposing of the evil out of which came good. The western country is green again with pasturage and forage, mixed with considerable "long green" from corn-hog payments, payments for wheat the drought prevented, relief payments, corn loans, and buyer's cash where there is anything to buy. For the next two or three years farmers will trade with others on even terms, and while there will be many a howl from housewives about food prices, merchants will rejoice in their swelling country accounts and the separate plenty of city and country will become common abundance.

All over the world the hewers of wood and the bearers of water are staging a comeback, and the stage is being set for another area of that fair and balanced exchange upon which prosperity rests. If this natural reflation shall proceed fast enough it will head off our accelerating movement toward money inflation and we shall be spared the climatic agony of a national paper money and bank credit spree.

SENSE FOR A SENSELESS STRIKE

THE President's special board of inquiry into the textile strike has done a good job. It has decided that national unionization of the textile industry is not now feasible, it definitely advises the strikers to go back to work and recommends that employers accept them without individual discrimination. It proposes a special labor relations board for the industry to examine the grievances of the employees and adjust them. The present controversy is to be settled by a presidential decision after the facts have been ascertained by competent inquiry and aired in a hearing.

All of this might well have been done before the strike was called but the haste of the leaders in plunging their followers into a strike which could not win may be pardoned in view of the long-prevailing bent of the Administration toward the fallacious idea that wages are entirely a matter of good will on the part of employers regardless of economic realities.

This destructive strike would hardly have made a ripple if the local authorities everywhere had promptly moved to maintain law and order and individual rights. Its apparent extent was largely the product of terrorism which sought to impose the will of a minority upon a majority of the workers. This is not to say that there is no chance to improve the lot of the workers in the textile industry, but it is to say that an emotional strike is no way to deal with a complex industrial problem.

The finding of the inquiry board that national unionization is not adapted to the textile industry is of wide significance. It's the best thing that has happened yet to that trouble-making 7(a) article of the Industrial Recovery Act. It gives hope that industry may be saved from central labor dictatorship and be enabled to deal locally with local situations—but in accordance with general principles and supervision designed to prevent the exploitation of labor.

SEC IN THE SADDLE

THE provisions of the law bringing the security markets under Federal regulation come into full effect on October 1. As this is written it may be said that the S E C is booted and spurred; ready to climb into the saddle and take the reins—but this would be to exaggerate a formality to which Wall Street has been adjusting itself for weeks. The Commission has been on the job for some time, organizing its preliminary and initial tasks. Fortunately, it has thus far shown a praiseworthy inclination to make haste slowly in a difficult and delicate job. We are confident that it will continue to do so. In its rules concerning short-selling, floor trading, the operations of specialists and many other matters it is within its discretionary power to throw a devastating money wrench into the market machinery. Since it has every reason to desire an orderly—and, in fact, advancing—market, we think it a safe bet that it will bend over backward to avoid any untoward excitement.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 588. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. Monday, September 24, 1934.

As I See It ~ By Charles Benedict

The Ideal and the Practical

EARLY in November the American people will face the most critical stage under the New Deal. On the decision made at the polls at that time depends the future of this country. It is not true that capitalism will be on trial,—that the choice lies between radicalism and conservatism. Emerging from the confusion of political ideas and promises, relief programs, social and economic reforms, the issue stands out clearly. It is—whether the American people believe that politicians are better qualified to lead them out of their difficulties rather than the experienced business men who have been the backbone of this country's progress since the birth of the nation. Socialistic government threatens. The truth is that these beautiful and inspiring ideals of human relationship are not yet possible of realization in this materialistic age. As a philosophy and goal for mankind it is a fine thing,—but any attempt to establish it politically must result in great disillusionment and disaster for the common people, because the spiritual development of mankind has not kept pace with its hopes and dreams.

It is inevitable under a Socialistic government that it is the politician who will have free sway,—who will have control of the destinies of the people,—and who as representatives of the people will have the carrying out of all the proposed programs for rehabilitation and recovery. And we well know what that means. It means that the people will have conditions forced on them that they as a whole are not expecting because they are so carried away by the ideal plans for the future that they do not see the realities which they will be obliged to face when it is attempted to rationalize these golden promises.

The discontent of the people during this soul trying depression is no common sense reason for the complete overturn of our present type of government. It should not be forgotten that it is under this democracy that current relief has been possible—that the correction of various abuses has been effected. Our present form of government, in other words, had demonstrated its potentialities for relief, reform and protection; but if we modify that democracy along the Socialistic lines suggested by radical thought, how far will this protection extend? What chance of redress would citizens have under a Socialistic government, supreme in itself and accountable to nobody? Under it, are politicians likely to agree to reforms which would in any way lessen their own power?—Or are they likely to remove their hands from the cash box when they once have a firm grasp on the money therein? Any man can answer this question for himself by recalling the records of graft, of dishonorable alliances with vice and corruption that are connected with even established political control.

The election this year will decide whether we are going further into state capitalism and eventually away from private capitalism. Specifically, the election will determine the political character of both the upper and lower houses of Congress during an interval when that law making body must consider measures which may affect the individual income, our mode of living, and our business processes, more deeply than any legislation heretofore enacted. In other words, it will determine whether Congress is to be so one-sided in its politics as to serve as a rubber stamp for whatever legislation the radicals may "sell" the President; or whether the "left" will be tempered with a wholesomely strong minority. Under our system of government, no matter what party may be in power, a strong minority is desirable to serve as a check on the extremist tendencies, be they conservative or radical.

Prospects of securing a measure of such political balance, however, are none too bright. Three potent forces are at work against it: (1) The power of widely distributed Federal funds, (2) the organization which has been perfected to use this distribution to its own ends, and (3) the great advantage arising to the party in control because of the unconvincing character of conservative or opposition leadership.

The force of the first is clearly shown in the Maine primary. Whereas this state paid about 8 million dollars in taxes to the Federal Government last year, it has received 13 million dollars from the P W A, C W A, R F C and other governmental agencies. From the P W A alone this state received 50 per cent more than it is entitled to on the basis of its population. The success with which he was able to secure government funds was the open boast of the nominated Governor. Further, to back up his claims, the Democratic candidate offered as evidence a letter from the President offering "sympathetic consideration" to requests for large available funds (the candidate estimated the amount at 50 million) for the development of the great Bay of Fundy project by which the tides would be harnessed for electric power. Under such circumstances, is it any wonder that Maine endorsed the New Deal? Moreover, if such policies were successful in that state will not other expenditures produce like results elsewhere? We have an example already in the 587 million dollars allotted to the 24 drought-stricken states and in the 72 million dollars which will be paid to cotton growers next month although some of this money is not due until December. Thus the preliminary steps

(*Please turn to page 630*)

Market Weighs New Deal Uncertainties

Prices Hold in Trading Range While Business Deadlock Awaits the Political Decision

By A. T. Miller

Stocks Recommended for Scale-down Accumulation:

DuPont	**Commercial Credit**
Borden	**National Sugar**
General Electric	**American Cyanamid**
Gulf Oil	**Continental Oil**
National Lead	**Liggett & Myers "B"**
Union Carbide	**Pillsbury Flour**
Lake Shore Mines	**United States Gypsum**

A FORTNIGHT of slow reaction in the stock market, cancelling virtually all of the August rally, has been followed at this writing by a mildly encouraging rebound. Both in trading activity and in price fluctuation, however, the movement remains on such a desultory scale as to reduce normal technical conclusions to a mere splitting of conjectural hairs.

In the most recent phase of decline the railroad and public utility shares sagged to new lows for the year, violating the July closing lows. According to the normal lines of speculative reasoning, this performance—especially in the rails—would be considered indicative of significant market weakness. Yet there is nothing of mystery in this particular market pattern, for the rails and the utilities happen to be the groups least benefited—perhaps we should say most harmed—by the aggregate of New Deal policies.

There would, therefore, appear to be considerable hazard in assuming that the more favorably situated industrial group must of speculative necessity follow the market pattern of the less favored groups. For what it may be worth, the industrial group has rallied from a level moderately above the lows of July and of last October, and so remains within the broad trading range monotonously marked out over the past fourteen months. For that matter, neither the rails nor the utilities have penetrated former lows by enough margin or with enough activity to carry any genuine conviction.

Unbroken Stalemate

And thus the stalemate into which the market has settled, along with business, remains essentially unbroken. The current rally carries even less conviction than the reaction which preceded it. It is accompanied by reports of short-covering induced by the somewhat vague news that the S E C has been "investigating" short-selling. It is also accompanied, as a rally always is, by a modest turn for the better in speculative sentiment. The simpler explanation that a market bare of any important volume of urgent liquidation merely had worked itself into the usual oversold position is probably much nearer the mark.

All of which leaves for the next week or two the answer to the question whether the former resistance levels have been convincingly tested, whether rallying tendencies can assume more than the merest technical and temporary significance or whether the next base of significant support must be found somewhat lower than reaction has yet carried us this year.

Meanwhile little or nothing calculated to galvanize the stock market into enthusiasm can be seen in the near-term politico-economic outlook. According to all indications thus far, hopes that the results of the November Congressional elections will of themselves bring about modification of disturbing New Deal policies are doomed to disappointment. Moreover, there is a general, and wholly logical, belief that the Administration has scant reason to make any major decisions or changes in policy until after the election. Thus, "Washington news"—so potent a factor in the 1933 stock market—is for the present a stand-off.

Which Way for the New Deal?

In business there is considerable evidence that consumption for some weeks has been exceeding industrial production, with the implication that at least a moderate upward reversal in the line of general business activity should soon be experienced. On the present evidence, there is little reason to believe this would amount to more than another business "rally" within the depression range of the past year—a range comfortably above the stagnation of 1932 and early 1933, but uncomfortably below the level of adequate national income, adequate private employment and adequate living standards.

We think it improbable that a stock market gravely concerned over the longer range implications of the Roosevelt policies will be more than casually interested in such minor fluctuations of the business activity line—either up or down—as are likely to occur during the rest of the year.

What the market desires to know—as we see it—is when and how the present economic impasse will be broken.

It is only the breaking of this stalemate—marked by a business level no higher now than it was a year ago—that can give a new and dynamic impulse to the movement of security prices, regardless of trading range fluctuations meanwhile.

It appears to us extremely improbable that this deadlock will last much longer. There is not the slightest doubt that the President is well aware of its existence. There is not the slightest doubt that it calls for decisive action, regardless of the outcome of the elections.

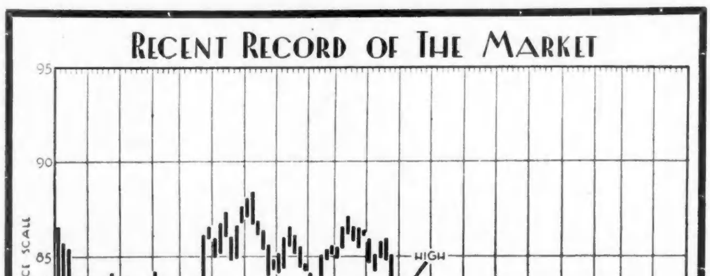
We think it logical, therefore, to anticipate that *after* the elections are out of the way President Roosevelt by word or deed will indicate more clearly than has yet been done the direction in which he proposes to steer the New Deal from here on. It is difficult to believe he can ignore the rising demand that he speak frankly to the nation, revealing in much more than glittering generalities his objectives and his proposed methods.

Two Roads Open

There are only two roads open—one to the Right, the other to the Left. The effort heretofore to compromise has satisfied neither conservative nor radical forces, and compromise becomes increasingly difficult. If we are to have a normal economic recovery, present disturbing policies and philosophies must be modified in such a way as to restore capitalistic confidence and initiative. This is but to say that a satisfactory peace must be negotiated between the New Deal and American business. If we go this way sound stocks will in the course of time rise far above present depressed levels.

The alternative is quite clear. It is more "pump-priming", vast spending, vast borrowing, increasing agitation for quack nostrums of wage and hour control, rising demand for more devaluation of the dollar, growing difficulty of normal Federal borrowing, inevitable pleas for the "nationalization" of credit through a Treasury-dominated Federal central bank so that "emergency" spending need not end. Such a bank — the perfect inflation-making machine — had its advocates in Congress last year and is reported now to be under consideration within Administration circles.

If we go this way each passing month will increase the probability of an inflation of quite unpredictable scope.



Need we point out that, whichever road is taken, there is no alternative whatever to the long-term investment policy previously advocated in these articles? *That policy can only be the patient retention of investments in sound equities, and the placement of additional surplus funds in such equities as the opportunities of intermediate market reaction present themselves.*

While the risks of short-term trading policy necessarily are larger than the risks presented in the above investment program, it is our opinion that sound equities offer promise of worth while intermediate profits if accumulated around the lower level of the year's trading range—as marked by the July low on the chart which accompanies this article—or if averaged on a prudent scale-down basis in the event that this indicated price level is broken. Against the technical and temporary significance of any such break, unless accompanied by much larger volume than now appears possible, we would be inclined to give greater heed to the fundamental forces above discussed, since they point inevitably to a major upward trend of prices in which interruptions can only be temporary. This article is again accompanied by a list of recommended equities.

Business Slightly Better

The current business records may be said to have slightly less of an indigo tinge about them, though the aggregate change can scarcely be regarded as of major significance.

Steel operations in the latest week have advanced to 22.5 per cent of capacity, but while the direction is right the improved level, of course, means a paucity of demand for this king of the heavy industries, as well as continuing heavy losses for the steel manufacturers. The slight betterment appears to reflect a miscellaneous replacement demand, rather than the beginning of a significant autumn upturn. Federally-financed construction remains the chief sustaining factor, although tin plate shows contra-seasonal activity because of export demand and Federal meat-packing operations. Rail making is virtually at a standstill and demand from the motor industry is declining, pending introduction of the new models.

Automobile production is being tapered off and it is indicated that October output will be considerably under the level of a year ago. There is expected to be less delay than last year, however, in the volume production of new models and November should find the industry again above the activity level of a year ago. Meanwhile, retail sales of the three low-price cars which dominate the market continue to hold up well.

Carloadings for the latest week show a slightly greater than seasonal gain, but remain some 10 to 12 per cent under the level of a year ago. The index of electric power output has declined sharply, but the greater portion of this loss reflects the textile strike in New England and in the southeastern states. The output of coal is moderately larger.

In retail trade reports from most sections of the country are favorable, with department store dollar volume running 2 or 3 per cent above a year ago and with

(Please turn to page 625)

A New Wave of Depreciation Threatens World Currencies

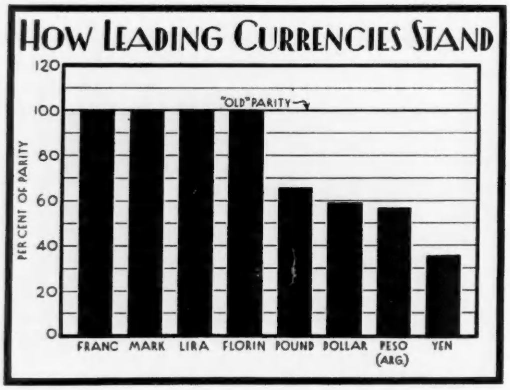
Will Another Devaluation of the Dollar Be Forced? Will Inflation Result?

By M. Gordon Southwick

ONCE upon a time there was a nation. And the people of that nation rejoiced in their money, for it was standard throughout the world. Their pride in it caused them to take it upon the Continent and spend it haughtily and condescendingly. The peoples of the Continent thought them objectionable: as in truth they were.

But there came a great war which weakened this people. Their money became of less esteem. And they sorrowed therefor. Then there arose another nation, whose money in turn became the standard towards which the world struggled. Like the people of the first nation, the people of the second nation esteemed their money and took pride in it. When they spent it in far places, they asked always "And that, how much is it in real money?" meaning their own.

There came then a catastrophe. And the monies of both nations lost caste. But there was little sorrowing, for the minds of men had changed. They say now "He who has the least worthy money shall be the most blessed". So, have old precepts been forgotten. And the names of the nations are England and the United States.



Today, we live in a world of nationally manipulated monies. Government manipulate their money for the purpose of obtaining some effect among their own people, for effect upon themselves and for effect upon other nations. They even manipulate another's money to their own ends. Is there any wonder under such conditions that businessmen tremble at the monetary actions of their own government and fearfully scan the daily press for evidence of foreign counteraction. The whole makes up a crazy-quilt of short-sighted selfishness.

It was quite in keeping with the times that the recent decline in the pound sterling should draw forth conjectures as to whether the nations of the gold bloc could long maintain their hard-defended standard and even as to whether our own "reflationary" policies would not be adversely effected. It is unfortunate that, while these conjectures are perhaps born of exaggerated fears, they do have a logical basis. All talk and policies to the contrary, the world is not made up of isolated nations and the action of a people, or of a currency, always has at least some foreign repercussions.

Now, although the recent decline in the foreign exchange value of the pound sterling was not in itself large, and despite the fact that it has occurred at a time when the pound is seasonally weak, attention was drawn to the movement because it came after a number of months of relative stability and because there is now clear evidence that the world-wide recovery which may, or may not, have been brought about by currency depreciation, is faltering. In other words, if the world-wide business improvement over the past year or two was the result of currency depreciation and, if this improvement is now making no further progress, why not another hypodermic of which the decline in sterling could be the first evidence?

Effect on the United States

No one can know, of course, at this early date whether sterling's decline has been artificially manipulated, or whether the British Exchange Equalization Fund merely stayed out of the market and let nature take its course. It is certain, however, should the decline be the forerunner of a major movement, it would not be without its effect upon us and the rest of the world. Let us make the why and wherefor of this clear.

The "natural" exchange value of two currencies depends upon the purchasing power that each has in the country of origin. If the English pound will buy less in England than its equivalent in this country, there is a tendency for Englishmen to spend their money here rather than in their own country. In order to do this, they must exchange pounds for dollars and the larger supply of pounds tends to depress the price in terms of dollars. When this happens, the decline in sterling exchange is a "result" and shows that a disequality is being corrected. No nation need worry about it.

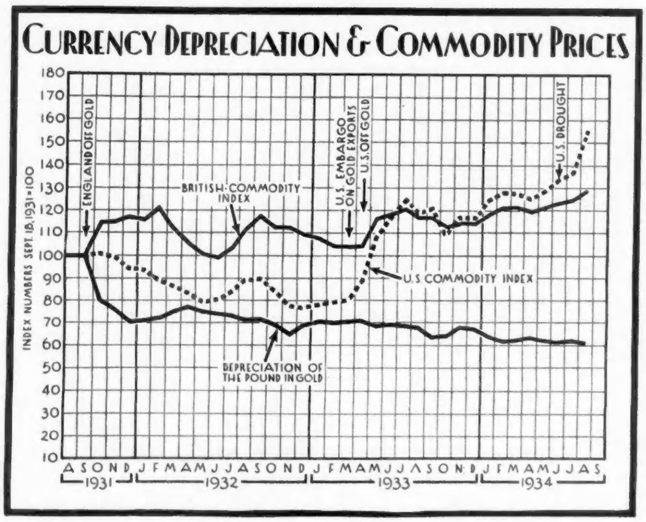
Today, however, it has become common practice to take that which normally is "result" and make it "effect". This is a wholly artificial operation involving tariffs, quotas, trade agreements, exchange clearing houses and immense "equalization" funds. If the decline in sterling falls into this category, it does not mean that a higher English internal price level is been adjusted, but that a higher American price level is being brought about artificially.

And the results of this? With the exchange held rigid at an artificially low level—although it is not to be taken that this is as yet actually the case with sterling—there is only one way that the tendency of the two countries' internal price levels to adjust themselves can act. It is directly; the American price level will fall and the English price level will rise. This might be all very well for England, but it certainly would not suit us, nor France, nor the rest of the world in general.

There is ample confirmation of this argument in recent history. Look at the accompanying graph. When England abandoned gold in 1931 and the exchange value of the pound to the then gold dollar fell, note the downward swoop of American commodity prices. The same accelerated deflation was felt in every other gold standard country. And to escape it many followed England in her abandonment of gold.

Price Reactions

Now follow the graph a little further. See how, when we too abandoned gold, our own dollar price level shot forward and that of England hesitated and then commenced to decline. Still later as the pound depreciated further, English prices commenced to climb again. Following dollar stabilization early this year, our prices should have declined with the pound. But that they did not, it would seem, can be explained quite satisfactorily by saying that the price-raising effects of the drought and other matters solely internal were more powerful than the price-depressant of a declining pound.



With this as a background, it is readily understandable why we in the United States paid so much attention when sterling broke away on the downside from the level at which it had been stable for so long. The break came at a time when our own recovery movement had begun to run into serious difficulties—at least so far as further progress is concerned. Politically, a major price decline at the point is unthinkable. But what could we do, if one got under way? Having re-stabilized on gold, any further devaluation of the dollar would be a terrific shock to the confidence of capital, already extremely nervous. The Government, even at this moment, is having enough trouble about the market for its bonds without inviting additional difficulty by again tinkering with the dollar.

Would we perhaps attempt to hold our price level by accelerating relief expenditures, paying larger bounties and the like? This is possible. But could such a course be financed in an orthodox manner? If not, it would mean, of course, inflation. Even if the bond market could stand the necessary financing, would it not virtually amount to about the same thing as the dollar devaluation that we wish to avoid lest capital take fright? Nor is there any reason to believe that there is any solution to the problem even if the President *did* exercise his power and cut the gold content of the dollar to the fifty-cent level, for the world's paper currencies have only to stage a compensatory decline to nullify the effort.

Gold Bloc Deflates

To France and the other gold bloc countries, the dilemma generated by falling paper currencies is nothing new. The pressure on their internal price levels when England first abandoned gold and then when we followed has been very great. They have attempted to meet the challenge by the most heartbreaking deflation. In the case of Italy, time and again, Mussolini has decreed "ten per cent off the price of everything." How much more pressure they can stand is problematical. They already have been driven into almost untenable contradictory policies. For instance, in order to protect their gold stocks and the standard by which they swear they have been obliged to restrict imports in various ways. This restriction of imports, as is always the case, has tended to raise the domestic price level just when all other efforts were bent upon lowering it into adjustment with that of countries with depreciating currencies.

Yet, suppose they did abandon their standard and began to pursue an active "reflationary" policy as in the United States and England; would it help them and what might be the effect upon the rest of the world? They undoubtedly would experience some relief just as England and the United States obtained relief. From the point of view of the rest of the world, however, such action might well produce a new record in currency chaos. Initially at least the effect would be deflationary on the internal price levels of all other countries, for England's abandonment of gold depressed world gold prices as did our abandonment later.

Should the rest of the world in an effort to uphold price levels, threatened by the reversal of the gold bloc's policy, reflate or inflate further, it would be nothing more or less than the start of a war of currency depreciation, of which the ultimate effect might well be world bankruptcy. As this happened there would be wild speculation; the paper billionaires would strut their little day, while the vast majority staged their death struggle in the enveloping mire of depreciating money.

Is there an alternative? But before attempting to answer, let us review briefly the history of this thing. Ever since the war, the whole world had been living in an Alice in Wonderland dream. An unsound situation was bolstered up temporarily by another twice as unsound. Eventually, the

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Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

The League

The fifteenth annual assembly of the League of Nations constitutes the most significant, or at least the most spectacular, foreign event of the month. The tranquil city of Geneva has become a scene of lively activity, hotels swarm with diplomats, restaurants resound with a babel of foreign tongues, while press corridors echo with whispered rumors of momentous happenings. Editorials reach heights of eloquence by solemnly pronouncing the fifteenth assembly a "parliament of the human conscience". But now, more than ever, the fact must be squarely faced that fixed bayonets, figuratively speaking, know no conscience. The two most belligerent powers, Germany and Japan, have withdrawn from the League, while the world armament industry haggles over the division of international sales territories.

France and England have dragooned member powers into according Russia a permanent seat in the assembly, thereby affording the Soviets a smoke screen behind which they can more effectively conduct propaganda activities. In fact, the League today through the admission of Russia is justly accused of having abandoned its ideal and living in fear rather than hope, has been reduced merely to a political group with the single purpose of encircling Germany with a military cordon.

Not only have Western powers failed to take united action on the behalf of China against Japan, but Japan's flaunting of the League in the Far East has seriously undermined the Assembly's prestige throughout the world.

One problem now embarrassing the assembly is the determination of ways and means to bring a stop to the Chaco war. An arms embargo without universal adherence proves futile. Both Bolivia and Paraguay have solicited League aid when the defeat of either nation seemed inevitable, but as the tide turned, League intervention has been successively rejected. Military attachés assert that a decisive victory on either side is rendered impossible by the geographical distance between the two capitals and that the present conflict, lacking more righteous causes, constitutes a profitable market for arms and munition manufacturers. The burning question of the Chaco will be referred to the sixth commission of the League for ultimate solution. Let us hope that some action is forthcoming from this source before the two isolated armies are exterminated.

Another danger point is the Saar. If a vote were taken today, irrefutably the territory would be returned to Germany. But many unforeseen events may transpire between now and the approaching plebiscite in February. The League council, after deliberation of the report of Baron Aloisis' committee of three, is delegated with the almost superhuman task of guaranteeing an impartial election and protecting the rights and liberties of the Saarlanders in the face of threats and flattery of Hitler agitation. Meanwhile, the Vatican, with the apparent purpose of protecting Catholics in Germany, is playing both ends against the middle in the Saar by using the bishops of the adjacent dioceses to placate anti-Nazi tendencies. At the same time, the papal state strongly criticizes the intolerance of German religious persecution. Since the population of the Saar is 75 per cent Catholic, the political influence of the Vatican must not be overlooked as a potent factor in deciding the territory's ultimate destiny.

While Nazi propaganda units have been temporarily withdrawn from Austria with the concentration of this activity in the Saar, Prince Stahremberg foresees a second putsch before many months have elapsed, while Chancellor Schuschnig, pleading for Austrian independence on the floor of the League assembly, pointedly infers that Austria's economic survival can be assured unless external intervention creates a case of force majeure.

To further embroil the assembly's procedure, at the time of writing, a dead-lock has apparently been reached over the Minority Pact, denounced by Poland.

League members with considerable blandishments, predict that the United States will follow an auspicious course by joining up. With the Wilsonian ideal dead, the question may now be asked what will it profit the United States to affiliate itself with an international organization as long as its principles of autarchy remain intact—as long as its foundation is based on absolute nationalism? What good end would be attained, even with regard to the Sino-Japanese dispute, by an alliance with the League whose efforts so far have dismally failed in promoting Far Eastern collaboration?

* * *

Central Europe

Political tension in Central Europe is sufficiently alarming to occasion a visit next month of French Minister Barthou to Rome, to be followed by a conference between Mussolini and Mr. Benes of Czechoslovakia. A Franco-Italian agreement on Central European issues is now as close as the divergent interests involved permit. A corporate program planned by these two powers proposes as far as possible to eliminate political issues, which have obstructed the rehabilitation of Central Europe and concentrate during the coming months purely on commercial issues. France professes to be willing to grant trade concessions without reciprocal benefit to all countries in Central Europe, whereas Italy tentatively agrees to grant similar concessions to those countries with which she has a favor-

able balance of trade. It is hoped that the Little Entente, allied with France and Austria-Hungary, closely affiliated with Italy, can be forced into some frame of commercial collaboration for their own salvation. Taken in conjunction, Czechoslovakia, Rumania, Serbia, Austria, Hungary and Jugoslavia comprise a consumer market of approximately 60 million population. To date the only stumbling block in this scheme is Jugoslavia, whose antagonism against Italy has been stimulated to an unwarranted pitch by foreign elements within the country. According to official informants, the implication is that Nazidom contemplates the next drive in Austria, through the Jugoslavia frontier, a move which would inevitably throw Italy into the breach. In order to avoid the possibility of this contingency, primary importance is attached to the pourparlers of Rome next month.

* * *

What Price-Gold?

Gold has become increasingly prominent as a speculative commodity in proportion to its repudiation by national governments as a sacred guarantee of monetary stability. Yet, since the accentuation of currency distress and the aggravation of military insecurity, the nations cling more desperately than ever to the gold bar so precariously balanced over the bottomless pit of financial chaos.

Unquestionably, the world is reluctant at this stage to completely abandon gold as a medium of international exchange. Since England suspended the gold standard in the autumn of 1931, official statistics reveal that gold imports amounted to the staggering figure of 641 million pounds sterling, while exports have totalled 350 million pounds. The London "gold rush", furthermore, was given a tremendous impetus by Roosevelt's policy of writing up the price of the yellow metal in terms of currency to 35 dollars per ounce. Not only has speculation run rampant in gold mining shares, but investors, distrustful of their own currency, have in large numbers turned to gold as the single security in a world of depreciating values.

The consistent rise in the currency value of gold has until now failed to stimulate an alarming increase in the output of the South African mines (approximately 46 million pounds annually), but gold resources in other countries are being exploited at a rapidly accelerated pace. In addition to newly mined metal, the de-hoarding movement in part engendered by government decree and in part occasioned by the release of private stocks in India has augmented appreciably the world's gold supply available for speculative purposes.

Nevertheless, gold mining stocks are still regarded attractive at current quotations, while the prevailing price of gold in London of 140 shillings 9½ pence per ounce today appeals to foreign speculators.

* * *

Geographical Diversification—an Added Security

Restrictions clogging international trade during the past ten years have fostered the development, on a vast scale, of the branch factory movement in foreign countries. The operation of manufacturing units abroad has, heretofore, been strongly criticized by one school of economic thought on the grounds that it deprived American labor of its rightful opportunities for employment. On the other hand, the complete blockade against American manufactures imposed in many countries by the use of prohibitive tariffs and the application of stringent quotas has, in the main, justified the organization of subsidiary foreign enterprises. Export industries primarily hit by those measures of trade restrictions have been in the automotive, radio, typewriter, electrical appliances, prepared food products and moving picture fields. Consequently, so long as trade barriers tend to obstruct normal commercial intercourse, idle capital will inevitably seek profitable employment beyond the confines of national frontiers. In this respect, the primary objective is to camouflage, for political expediency, the actual ownership of capital so invested and, for this reason, intensive activities of American companies abroad have been intentionally soft peddled. Various key industries in the United States have therefore, by gradual expansion, acquired a truly international character: Standard Oil of New Jersey, for example, controls through a dummy holding company some eight or nine distinct enterprises in France alone but, because of the fear of discriminatory adverse legislation, actual participation in foreign industrial activity is cloaked in the utmost secrecy. This precaution, in fact, constitutes a far-sighted policy as witnessed by the shut-down of the Corn Products profitable plant in Germany a few years ago as a result of discriminatory legislation. Corn Products in France, however, still retains a virtual monopoly of the domestic glucose industry, while Coca-Cola by granting franchises to bottlers in practically every country of the world has become, to all intents and purposes, an international institution.

Nesmith Photo

Geneva, Home of the League of Nations

Opponents of the branch factory system claim, especially of late, that foreign exchange restrictions prevent the transfer of profits to the parent company, thereby nullifying any advantages to be gained from overseas operations. There are, however, practical methods of surmounting this obstacle. For example, The American Radiator plant in

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¶ *Present Set-Up of National Recovery Act Is Recognized as a Brake on Recovery.*

¶ *Reorganized Body Will Either Produce Desired Results or Suffer Extinction.*

N R A in Rehabilitation

By John C. Cresswill

ALL things change, but N R A holds the record. Changing daily in its evolution since the hour of its birth, it is now in the violent change of reorganization. Nothing is certain about it except that it will change—and the President will ask Congress for another year of life for the process of change.

Forever altering within, N R A oscillates without cease in the favor or displeasure of the great and little groups of the business world. Long high in favor with organized labor, it is now anathema with the American Federation of Labor. Received with joy by big and little business in the beginning, it is now damned by little fellows and scoffed at by big fellows.

Hailed as the inaugurator of plan in a planless business world, its chief planner resigns because he thinks the plan is all wrong in its fundamentals of price and production control.

Almost at the same moment the President calls upon industry to reduce its working week and keep up pay—even as production indices fall and prices of necessities rise.

Now the critics of N R A demand still further changes, and the President proposes an alteration that may mean its dissolution.

Gloomy as are these broad statements of fact it is also true that almost every critic desires the retention of N R A in some form or degree.

Richberg, Director of Directors

At outs with Donald Richberg, who was chief counsel, and has now, as director of the National Emergency Council, become the universal co-ordinator of the fifty or more emergency agencies of the Government hopelessly entangled with National economy and in essential conflict with each other, convinced that N R A is too big a job for any mortal man, General Hugh Johnson himself outlined the plan the President has tentatively indorsed. It splits N R A into three parts:

1. Policy
2. Enforcement
3. Administration

Policy is to be determined by a board, Enforcement is to be turned over to the Department of Justice, Administration is to be General Johnson. No general executive is to be established as such. President Roosevelt will probably be it in fact. The general conception is that this is to be the N R A setup for the remainder of its statutory existence, with the further view that if it works something like it will be enacted by Congress for another experimental year. This loose arrangement has been compared to the tripartite division of the Government of the United States into legislative, executive and judicial functions. No changes of policy have been announced, but the President has hinted that it may be necessary to abandon price control.

A Change to More Changes

The proposal has been received without much enthusiasm in the business world, much as it has complained of the difficulties of ever-changing policies. It is feared that a policy board, segregated from administration, will result in another agency controlled by enthusiastic reformers out of touch with reality, ready to conduct with gay nonchalance another experimental operation on a nation already in decline from exploratory surgery. Business, apparently, would have preferred a board comparable to the board of directors with the administrator as chairman. Fear is expressed that the board will be loaded with passionate radicals and that an effort will be made to embody in permanent legislation a large degree of business socialization. The board idea, although formally put forward by General Johnson is apprehended to be more the thought of Miss Perkins, Secretary of Labor, who has always regarded N R A as more important as a dreamy champion of the rights and privileges of organized labor, than as a conservator of business. It was probably indorsed by Richberg, who has given much thought to the rehabilitation of N R A. He will probably be influential in determining its composition on lines that will oppose domination by General Johnson, but there is reason to believe that he is no longer so radical as he was.

It is the general opinion in Washington that the new setup will be the beginning of the end of General Johnson with N R A. It is held to be inconceivable that he can get along with any board. The General's passing will probably be regretted by business, much as it has scolded him. Somewhat restrained, code authorities would like him to be, but they fear that his successor will be the passive tool of the board. His vigorous defense of the textile code and authority and his outright denunciation of the textile strike have won him thousands of friends and there is a quiet movement under way to bring pressure to bear to have him stay, no matter how much he may dislike losing his dictatorship of business. N R A without Johnson would be a pallid and anemic affair.

Pending the proposed fundamental reorganization of

N R A, its actual administration is being changed. First the number of codes is to be reduced from 682 to 250 by merging related industries' separate codes; second, codes are to be assigned to 22 administrative sections, based also on industrial and commercial relationship; and, finally, the 22 sections are to be grouped in ten administrative divisions. Trade associations, however, are to be encouraged to retain "their separate indentities". In the past the administrative assignments of codes have been more to fit the special abilities of the different administrators than with regard to economic affiliations. The ten divisions, necessitating the creation of two new divisions, have already been set up. The classification of industries into 22 sections and 10 divisions was based on four fundamental groupings, viz., production of basic materials from the soil, fabrication of basic materials into finished products, service industries (ranging from transportation to amusements), wholesale and retail distribution of goods.

Reshuffling the Codes

The industry divisions are: (1) food, farm products; (2) textiles, furs, leather; (3) basic materials, steel, lumber, building materials, fuels; (4) chemicals, drugs, paints, paper, rubber; (5) equipment, machinery, tools, fixtures, vehicles; (6) manufacturing of used goods—from household appliances to musical instruments; (7) construction in all branches; (8) public utilities (electric, gas, water), transportation, communication; (9) finance, graphic arts, amusements; (10) professional service trades—all wholesale and retail codes except food. These divisions are horizontal, except the food group, which is vertical from manufacture up to the consumer. This exception is due to the fact that there is an intimate relationship between foods and farm products and the Agricultural Adjustment Administration. Co-ordinating machinery will be established between the first and the tenth division. "The entire structure," according to an N R A statement, "thus created is regarded as sufficiently rationalized for both government and industry purposes at this time, but it is not inflexible, and several of the divisions which adjoin in the classification may be transferred without dislocation to the whole plan."

Owing to internal reorganization and impending fundamental changes in the basic structure of N R A as a whole that agency is now in a somewhat comatose condition, characterized by confusion, procrastination and indecision. This condition extends to many of the code authorities. Dissension within N R A is rife, important officials are resigning and discontinuity in code administration is marked. There is a widespread feeling that N R A has become a brake on business recovery, even among those who are quick to give it credit for its early achievements. It is complained that the purposes of the Industrial Recovery Act have been lost sight of in a maze of administrative detail and quarrel and social reform diversions. In detail the indictment takes up the several purposes of the Act as defined by Congress as follows:

Promise and Event

1. Purpose: "To remove obstructions to the free flow of interstate and foreign commerce." Result: Both interstate and foreign commerce have been obstructed.

2. Purpose: "To provide for the general welfare by promoting the organization of industry for the purpose of co-operative action among trade groups." Result: Co-operative action has been attained to a pronounced extent and fair competitive practices have been restricted but the general welfare has not been advancd on the whole.

3. Purpose: "To promote the fullest possible utilization of the present productive capacity of industries, to avoid undue restriction of production (except as may be temporarily required)." Result: The whole weight of N R A has been thrown toward restriction of production and prevention of the full utilization of capacity, all emphasis being placed on alleged temporary requirements.

4. Purpose: "To increase the consumption of

industrial and agricultural products by increasing purchasing power." Result: Purchasing power is being restricted by the tendency to handle N R A as a relief rather than a recovery agency, which has resulted in regulations which operate to stabilize production at depression levels.

5. Purpose: "To reduce and relieve unemployment." Result: Unemployment is being promoted by the restriction of production, both through wage and other labor rules and the curbing of competition.

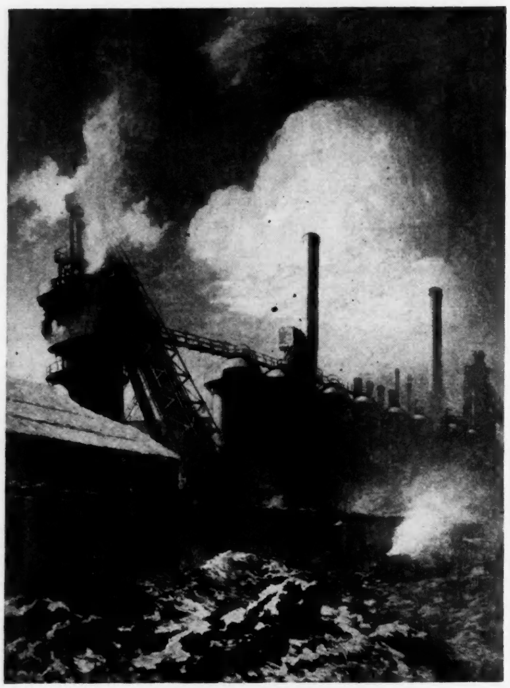
6. Purpose: "To induce and maintain united action of labor and management under adequate governmental sanctions and supervision." Result: Labor and management were never further apart than at present.

7. Purpose: "To rehabilitate industry." Result: Whatever the first effects of the Act its present consequences are to demoralize industry and discourage the natural processes of recovery.

8. Purpose: "To improve standards of labor." Result: This purpose has been largely attained in name and to a great degree in fact, but incidentally standards of labor performance and productivity have been greatly lowered and costs of production have thereby been increased at a time recovery depends upon the lowest possible prices and the largest possible volume of goods.

Mother of Evil

Section 7 (a) of the Industrial Recovery title of the Industrial Recovery Act, which was designed to promote labor standards, has been the cause of demoralization of relations of labor and management. If it had been strictly administered in accordance with its provisions such would not have been the case. N R A fostered the idea that it should be used to strengthen the national unions, most of which are affiliated with the American Federation of Labor. Every possible aid was given to the organizers of those unions to spread the idea that it was the Government's wish and policy that all workers should enlist under their banners. Independent and company unions were discouraged. This practice was checked by the decision of the President in the case of the automobile strike that management might deal with any or all organized labor groups. At that time labor relation disputes were a function of N R A. Since then they have been taken away and handed over to the National Labor Relations Board. That board has established by its decision in the Houde case that management must deal solely with the organization in which most of its members are enlisted. The Houde company must comply or lose its Blue Eagle and be subjected to prosecution, although a large minority of its employees prefer their own local group.



Courtesy, General Electric Co.

The most deplorable result of N I R A and the most disastrous breakdown of the purpose of inducing united action of labor and management is presented in the pending strike of textile labor. This may be attributed to the partial interpretation and administration of Section 7 (a) by N R A. It is true that General Johnson has had the magnificent courage to denounce this strike in the most unqualified language, but the fact remains that it is to be traced back to the early attitude of N R A, which aroused labor to expect the impossible and inspired it with the belief that mere law and regulation could achieve its ends.

In general N R A must be convinced under the indictment that it is largely responsible for the failure of that "united action of labor and management" aspired to by the Industrial Recovery Act. Instead of promoting united action when recovery depended upon it it has promoted dissensions and disunion.

The Indecision of Decisiveness

Despite General Johnson's decisiveness N R A has been the home of indecisiveness. Having a colossal one-man job, the General has sought to fill it in all its concavities. He resents the criticism that an emphatic boss has a wobbly machine because he fails to delegate authority. But 700 code authorities can no more be wrong than 40,000,000 Frenchmen. It is notorious in N R A that it is the roaring General's practice to delegate "all authority" to handle a certain situation and then reverse or condemn the subordinate's decision. Witness the Harriman mills backdown—now followed by the resignation of the Administrator who gave them back their Blue Eagle.

The personnel of N R A's executive staff has been for fifteen months as migratory as water fowl. Major policies in respect of different codes change with each new subchief and the major policies of the whole body swing back and forth from presidential interference or the jerky conclusions of a tired man. Prices have been a crazy quilt.

It was the President who sprang the surprise idea that contractors for government supplies might chisel their code prices by as much as 15 per cent, provided the same prices were thereafter quoted to the public. Days elapsed before the Johnson group discovered that the ukase did not apply to the minimum price codes, but by that time the latter were all but ruined—and in some instances the obscurity never has been cleared up. At that time General Johnson's inability to be in a thousand places at once and the fear of his subordinates to make a decision regarding prices actually prostrated one of the major industrial groups of the nation for six weeks, and was a considerable factor in the summer business slump. Staff troubles in all organizations, public or private, are always more important than the public realizes or the boss concedes. Besides major rows with men as resolute as himself, N R A "cheap help" have always been factionized and fearful, and one of the

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Fifty Million Workers

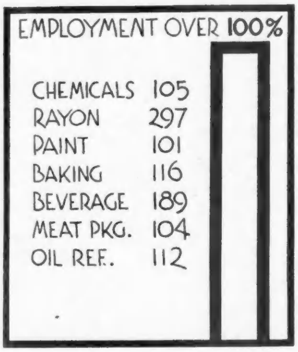
A Graphic Presentation of Employment in Leading Industries

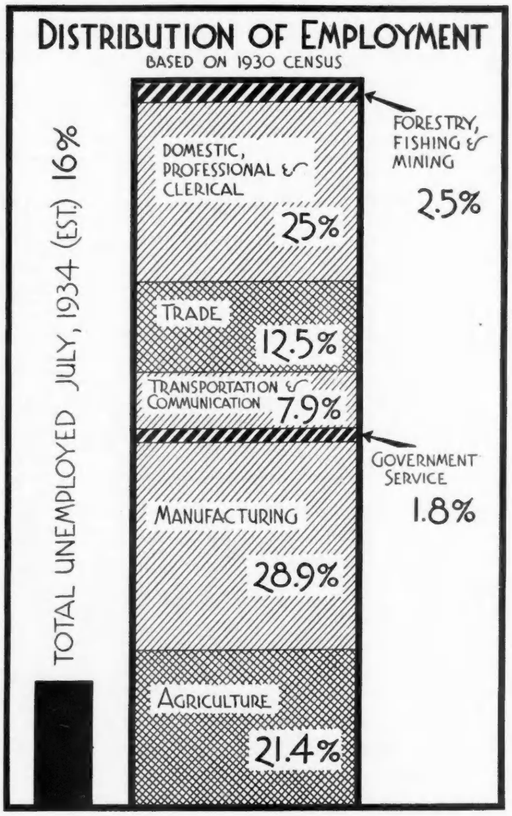
By Warren Beecher

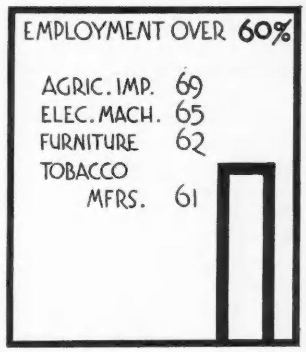
SO much attention has been drawn to the distressing amount of unemployment that the status of employment may be overlooked. Current estimates place those unemployed at 8.7 million, or about 16 per cent of the total number of people who under normal conditions would be gainfully employed.

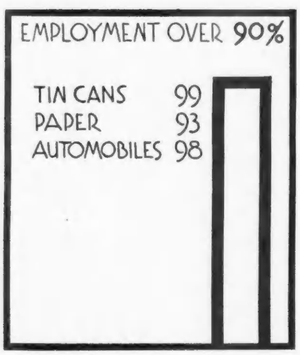
Out of a total of more than 50 million such workers, nearly 42 million are engaged in remunerative employment.

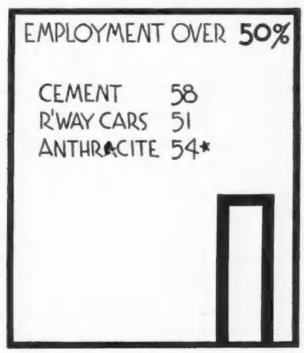
On the basis of the 1930 census figures, allowing for the increment of new workers, the central graph shows the broad classes of employment in the country. The small graph surrounding it reveals employment conditions in various leading industries as of July, 1934, compared to the 1923-25 average as 100.

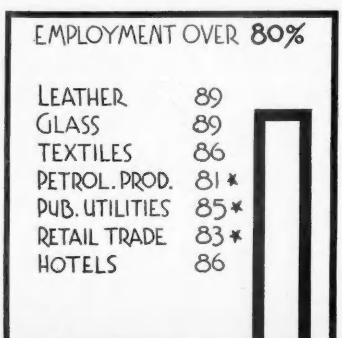










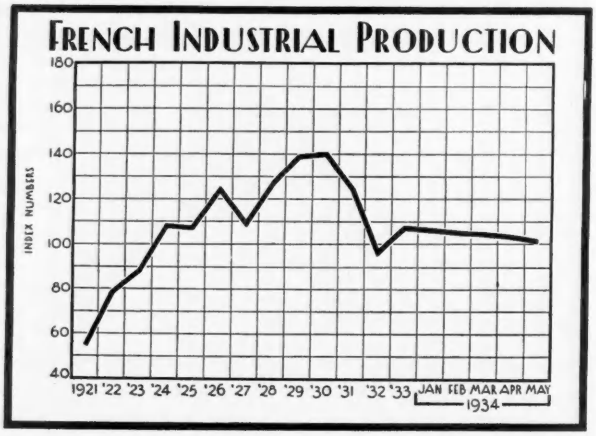


France Stubbornly Sticks to Gold

But Pressure to Meet the Economic Situation by Devaluation Grows Stronger and Stronger

By H. M. Tremaine

A YEAR ago monetary authorities the world over expected from week to week that France would suspend gold payments and thus flop off the gold standard, as most of the world had already done. The hope or fear that France would pull down the golden ensign has now been replaced with conjecture as to when and how much she will devaluate the franc.



It is conceded that France may be able to stick to gold at the present content of the franc, if she is willing to pay the price of increasing economic distress. On the other hand, domestic political and financial considerations appear to make outright abandonment of the gold standard impossible. Overnight devaluation is coming into favor as a compromise measure.

What France Is Up Against

Although the note issues of the Bank of France are more than 100 per cent covered by gold, and notes and credits together 80 per cent gold-backed, there is a growing public opinion that regardless of gold power the economic position requires monetary treatment. That is to say, inflation, rather than deflation which is the present national policy. The Doumergue government is striving to remedy economic ills by deflating governmental, industrial and living costs while most of the world is seeking relief in cheaper money and higher currency prices. But from July, 1933, to July, 1934, the wholesale price index declined only .7 of one per cent and retail prices even less, although business activity declined markedly as measured by every standard, and unemployment has mounted by 40 per cent within a year. August witnessed still further economic deterioration and no reduction in the gap between wholesale and retail prices.

A survey of the economic position of France, reveals scarcely a single ray of encouragement, and points to the probability that France will resort to monetary devices similar to those other countries have adopted in meeting domestic and international dislocations. Let us look first at employment, in which France seemed for a time to be able to defy the encroachments of depression.

Employment: French statistics relating to unemployment are of no absolute value, but serve as indices. The only records of unemployment are those covering unemployed persons who receive relief from public unemployment funds and charitable organizations. In August, 1934, the number of such persons was 325,000, compared with 235,000 in the same month of 1933. The minimum of registered unemployment has not fallen below 226,000 for any month of the last three years, whereas in 1929 it was actually less than a thousand, and the monthly average was as low as 55,000 even so late as 1931. It has been officially estimated that the real unemployment in France is about four times the number of persons so registered, as the prudence of the French people and their horror of admitted dependence is so great that most of the unemployed find some way of avoiding relief. Using the multiplier of four, unemployment in France is found to be about 1,300,000. In addition, it is calculated that more than 2,000,000 persons have only part time employment. In proportion to population 1,300,000 unemployed persons in France are equivalent to about 4,000,000 in the United States. When the further fact is taken into consideration that France has about as many farms as the United States, and the further fact that the proportion of independent commercial and industrial proprietors is relatively larger in France than in the United States, it is probable that actual industrial unemployment in France, having regard to the total populations of the two countries, is much nearer that in the United States than has been supposed.

Employment Problem Complicated by Immigrants

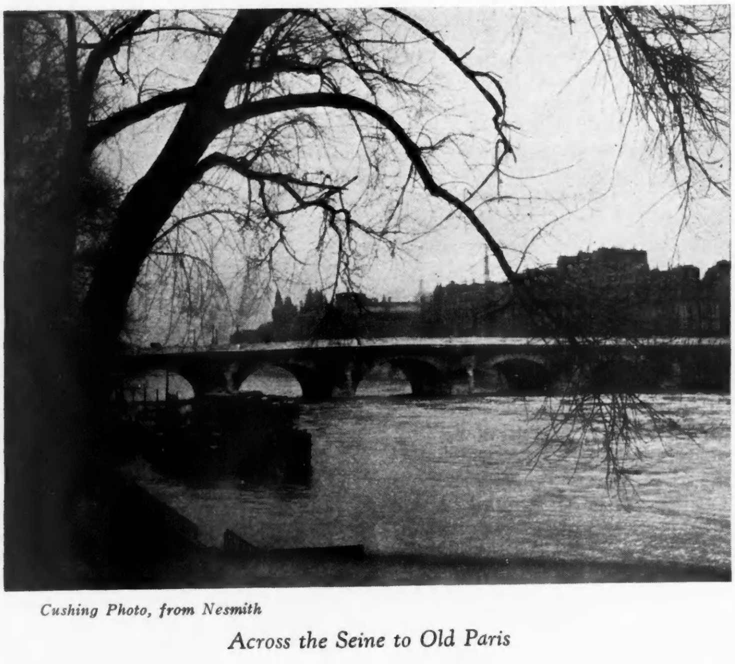
The unemployment situation in France has been somewhat aggravated by the presence of 3,000,000 foreigners of whom about 70 per cent are manual laborers. To some

extent this situation has been relieved by repatriation of idle foreign workers and restriction of immigration, and also by a growing disinclination of various nations to permit their nationals to move to France. The French theory of control of foreign laborers has been to direct immigration and repatriation in accordance with the mutations of the curve of industrial activity in France. But it has not been fully realized in practice, as about one-third of the immigrants get into France by the bootleg route, instead of in accordance with labor agreements between the French and other governments, whereby France is permitted to recruit laborers as needed and send them back when not needed. Also, long-time French policy favors the permanent retention of the best and most useful elements of the alien population in order to offset the stagnation of the native population and introduce fecund new blood; naturalization is encouraged. If many of the foreigners are deported now French industry will be distressed when revival comes, as the nationalism of other nations more and more aims to keep their man-power from helping France, whose greatly expanded heavy industries cannot possibly be manned by natives alone. In mining, 38 per cent of the workers are foreigners; in metallurgy 12 per cent; in construction, 20 per cent. There are many communities where foreigners are far more numerous than natives.

Foreign and Domestic Trade Decline

Foreign Trade continues to decline. For the first seven months of the current year imports were 3,000,000,000 francs less than for the corresponding months of 1933 while exports were off about 300,000,000 francs. The only consolation in the foreign trade figures, if that be one, is that the gap between exports and imports is being narrowed by a reduction of imports; but to a creditor nation, like France, falling imports represent falling national income. This is being realized and there is a growing public opinion that restrictions on imports should be eased, not only for that reason but as a means of increasing exports. As one reason for the effort to balance trade by trimming imports is to protect the franc, the urge for larger foreign trade makes for devalution, which it is hoped would improve the competitive position of French goods in foreign markets.

Industrial production continues to slip. Virtually every industrial group in France is losing ground, and the situation in the technical, mechanical and metallurgical industries is described as critical. The industrial production index fell below 100 in August for the first time since December, 1932, which is all the more disheartening because 1933 as a whole held up considerably better than 1932. In August of 1933 the production index stood at 111. In the high year of 1930 the index was 140.



Cushing Photo, from Nesmith

Across the Seine to Old Paris

Agricultural situation is good from the standpoint of production but bad from that of price. The efforts of the government to maintain the price of wheat at $2 a bushel have failed despite all the power of law in the face of surplus crops, and the real price is around $1.45 a bushel. How to keep up prices to the farmer and keep down the price of foods to the consumer is not the least of the government's worries. The only solution seems to be for the government to buy the surplus grain and dispose of it gradually, probably with the hope that a drought or some other natural calamity may ravage the fruitful fields of France.

Populace Howls as Prices Rise

Prices and cost of living: The wholesale index, now around 370 (1913 prices being 100), is the lowest since the war and 248 points lower than in 1929. The weighted index of Paris retail prices for 34 household articles was 495 against 507 a year ago and 627 average for 1929. (In examining these figures it must be remembered that the gold content of the franc was reduced in 1928 to correspond approximately to the war inflation of the paper franc, that is, about 80 per cent, so that other things being equal, prices in France should be on a basis of 500 as compared with the 100 of 1913 or 1914.)

The Commission for the Study of the Cost of Living has an index designed especially to measure real living costs of a laborer's family of four, which gives the preponderating weighting to food. In this index there are 13 food items, including, typically, oil and alcoholic beverages; four of heat and light, 117 of clothing and laundry, and ten household articles. For the first quarter of 1934 this index averaged 526 as against 581 at the top, in 1930, and 520 in 1933. In other words the Frenchman's cost of living is now only 9.5 per cent below its peak.

It is the disparity between the trend of wholesale prices and that of retail prices and the cost of living for the common man that makes the French urban masses—wages falling—rage and statesmen worry. To the realistic Frenchman the cost of living is a greater issue than abstract controversies about socialism, communism, capitalism and facism.

Securities prices have held up well this year, owing, no doubt, to increased confidence in the government. Bonds have gained about 10 per cent since the lows of last March and domestic stock shares slightly, while for-

(Please turn to page 628)

Happening in Washington

By E. K. T.

"Social disintegration" is the trouble with this country, according to Raymond Moley, and he is trying to find out through some social dinners what to do about it. Presumably when the results of these think-aloud and, let us hope, eat-quietly, gatherings have been digested the President will be handed a memorandum briefing what the business pundits think is the matter with everything including the Administration. If some of the tycoons of business talked as plainly at the Moley confabs as they talk to me there will be no difficulty for Raymond in presenting Frank with some emphatic information. The business side of social disintegration, they say, is now largely the responsibility of the Administration. Business has an obsession that the Government of the United States is working against it, and that is said with full credit for the thousand and one specific things the Government has done for business.

Right or wrong, business feels that the Administration has succeeded in filling the air with the idea that about everything that has been wrong in America is chargeable to business.

"The President," said one of Mr. Moley's guests, "insists on running the biggest business in America—which is the general supervision of all business—with the advice of people who know nothing about business. Socialists and other advocates of a fundamental change in our institutions might be competent to advise him how to run a different sort of economic machine than we have, but the men who are familiar with the battle-scarred tank that has managed to keep moving and achieving in the most trying times we have ever had ought to be consulted about fixing it and tuning it up."

Price control is certainly one thing the Administration has given business because it wanted it, but now, most unkindly, business no longer unanimously wants what it once demanded. It is undeniable that the price provisions of codes are in grave danger of crumbling, but what will happen to the labor "sanctions" if price goes aboard is something else. It is worthy of notice that Donald Richberg says there is to be no more dictatorial control of prices or production except those necessary to prevent unfair competition and the waste of natural resources.

Mr. Richberg did not mention that dictatorial labor control might be the same thing as dictatorial price and production control. As between competitors, uniform conditions of hours and wages tend to stabilize prices at reasonable levels, but wages out of line with wages in other industries tend to build up dams to recovery.

Washington was horrified when it read that durable goods big shots had agreed on an almost hundred per cent reactionary economic policy. It was relieved when it read later that there had been no such dumb agreement. The point is that Washington looks at everything from the political angle, and it knows that the best way to help the wild-eyed radicals to put over their programs is to have business imitate the Bourbons and neither forget nor learn.

Roosevelt is the usual topic of conversation here as elsewhere. Just now everybody except the voters seems to be finding fault with him. The radicals are sore and the conservatives are disgruntled; business men complain and labor growls. Each group wants him to define his policies its way. So far every response to a demand for definition has been disconcerting to conservative people and the business world. I have had some rather authoritative hints that after election Mr. Roosevelt will talk and act in a way intended to reassure the business world, and that he will not take an overwhelming victory in the Congressional elections as a mandate to run wild.

His policy during the remainder of his term in office will be, I think, that of a magnanimous conqueror who desires to consolidate his victories and yet propitiate his enemies.

Hardshell Democrat, much along Senator Glass's lines, who recently had a talk with the President (evidently boiling over with eagerness to repeat the conversation, but restrained by the obligations of confidence), replied to every criticism of the President that I voiced, "Be patient, he will check." He explained that the President was about the most consummate politician who had ever been in the White House, and that as one who must manage men and factions to get anywhere, he might frequently seem to be going in quite a different direction from that of his general goal. He said that the President had no intention of getting himself into the position of a leader without followers, as did Wilson and Cleveland.

In order to remain a leader President was willing at times to follow but that in the end it would be found that he had done just about what the best interests of the nation demanded.

Secretary Wallace, who has been accused of being something of a dictator, is putting it up to the farmers to decide whether they want the cotton control act repealed or nullified. The outlook is that they are now as much against it as they were for it last winter. While the total crop is below the established limit of 10,000,000 bales, many farmers have more than they expected to get. They do not relish the idea of having to pay a 50 per cent tax on the overrun when the general purpose of limitation has been more than achieved.

But how can we have a planned economy if the plan

is to be upset every time nature frowns or farmers change their minds? And this question suggests that both nature and democracy may be against regimentation of industrial life.

Munitions investigation, while revealing a rotten state of affairs in the merchandising of death, raises the question of just what is not to be called a munition. Is petroleum a munition when shipped to a nation that may use it to propel its warships against us? Are steel and iron munitions when shipped to a country that may utilize them in the manufacture of armaments that may be used against us or other nations? What about chemicals from which explosives may be manufactured?

Mr. Morgenthau's "demonstration" that the whole relief and recovery campaign has cost the country only $500,000,000 to date is having some untoward consequences. Of course, if that is all the country is out of pocket after the most colossal disbursements of money ever made by any country in time of peace, there is room for even greater and more vigorous spending, and certainly no cause for heavier taxation. It will be interesting to see how Mr. Morgenthau's clever accounting works out when it comes to balancing the budget by more taxation. Congress is sure to be tempted to force a balance by making some more money along the lines of the gold "profit."

There is no more gold to profitize and it may not be possible to make much of a profit from the nationalization of silver, but the possibilities of filling the treasury with profitized paper are unlimited. Why collect any taxes when you can manufacture money?

Government planning has a good object lesson in the location of the new public buildings in Washington. They are mostly concentrated in solid successive blocks in a triangle between Constitution and Pennsylvania Avenues. The result is that about 40,000 persons and 10,000 automobiles strive to get in and out of that region simultaneously during half an hour every morning and every evening. Nor is this the emergency planning of a New Deal working over time. It was all done deliberately in the Hoover Olympaid with the help of architects and city planners galore.

Secretary of Commerce Roper is emerging as the hope of business in its supplications at the throne of power. Surrounded by all the fads of N R A, perhaps even recalling that he is a member of a Cabinet committee which was appointed to direct General Johnson, Mr. Roper, runs his department, partisan Democrat as he is—and not neglectful of the loyal unwashed—in a way that makes the business man who has some money left or is making a little feel that he has a friend at court. They say the President is just as fond of this brass-tack person as he is of the Utopian "honest Harold Ickes," whose sensitive nostrils are offended by the slightest taint of any money except that which he spends at the rate of $40,000,000 a day. To me, it is not surprising to hear that when Mr. Morgenthau retires from the Treasury Mr. Roper will be chosen to succeed him.

It might even be put this way: that at an appropriate time Mr. Morgenthau will leave the Treasury—a job that is not congenial to him—in order to help the President to wave a grand gesture toward business confidence by making the "secretary of business" secretary of that business institution, the Treasury Department.

Business, slowly improving until next spring, and then some real acceleration, is the view of Administration optimists. They don't see how all the possible sparks can miss the haystack of potential inflation much longer.

"Unemployed, because on strike to improve labor conditions" is the stereotyped justification of idleness being accepted in by F E R A officials in certain textile strike territory. "Can you beat it!" exclaimed a manufacturer when he showed me a blank form. "The textile strikers have been encouraged by the Government to strike against the labor provisions of a code which the Government demanded, warmly applauded, and deliberately approved—it is in effect law—and the Government pays them for striking. It gives me a headache to try to reason it out." National Association of Manufacturers calls support of strikers: "Underwriting force."

A tidal wave of cases involving the constitutionality of various New Deal legislation is moving toward the Supreme Court, and code compliance litigation is beginning to get out of all bonds. National Association of Manufacturers has had the courage to advise all its members to resist application of the rule in the Houde case to them. That was the case in which the National Labor Board ruled that employers must deal with an organization which includes a majority of employees even to the exclusion of a minority organization. The resistance is to be maintained until decision has been made by "competent judicial authority." It becomes more and more evident that however co-operative they were with novel public policies in a time of crisis the American people are going now to insist on "due process of law." By the way, have the garment industries obeyed the Presidential order to reduce working time and hoist pay?

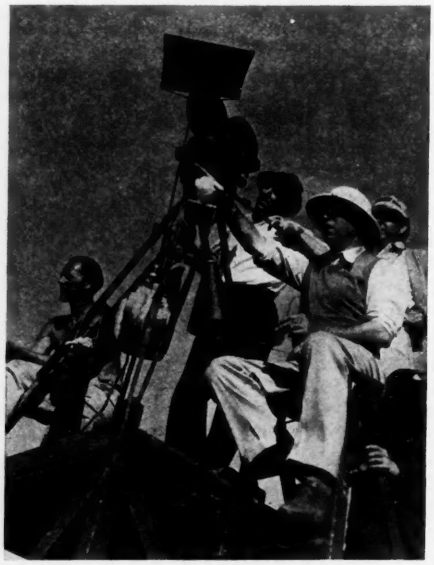
Exit for General Johnson is believed to be near. His denunciation of the textile strike finished him with Richberg and put the President in a hole with labor. At the same time N R A is pounding on the rocks of the stubborn individualism of business men—when they find collectivism is not getting them what they expected of it. One of the greatest of the codes is on the edge of dropping price control because "there ain't no such thing." Above all the General is mad. He may resign with fireworks, and thereafter appear in semi-private life as a leader of the forces which are now crystallizing into determined opposition to most of the N R A policies. Having advocated industrial self-government within N R A, he may next stride dramatically upon the stage as its defender against N R A and much of the rest of the governmental alphabet, but with a liberal and progressive slant which most of the industrialists can not impose upon themselves. His role would be to save the best of the old order by saving the business Bourbons from themselves.

Bernard M. Baruch is under strong pressure from President to head council which will lay down general N R A policy is new set-up shortly to be announced. This brings back memories of War Industries Board of World War days, Mr. Baruch, chairman. It happens that both General Johnson and George N. Peek came to Washington as Baruch proteges. Targets of left-wing criticism, they were pushed to the sidelines. Now their sponsor, the very personification of Wall Street and finance, is urged to step into the picture. His acceptance might help business sentiment, badly in need of rally.

Movies Benefit From Clean-Up Drive

Increasing Theater Attendance and Limited Production Cost Aid in Recovery

By C. F. Morgan



THE truth of the ancient adage that it's an ill wind which transmits no benefit to anyone is fully borne out by the experience of the motion picture industry in recent months. Indeed an occurrence potentially cataclysmic has resolved itself into a blessing, though disguised, it is true, with the full beard of disaster, but now sufficiently benign to upset the palsied alarms of almost every motion picture producer with the single exception of the creator of Mickey Mouse.

Two years and more ago the big, bad wolf of the movies was the Eastern banker, and his approaching step sent shivers down the celluloid spine; this, of course, before the banker himself saw horrid specters and indulged in cold chills and miasmic shivers. Recently the demon banker has been replaced in the movie fear chest by the clergyman; an opposition the movie folk hitherto have never been able to take quite seriously. It is an open secret that a year ago last May the producers at one of their own meetings in Hollywood were plainly warned by two very prominent local lay Catholics that repressive measures would be taken if voluntary improvement was not forthcoming. They were even given the exact date of a convention of bishops of the church at which the repressive measures would be drafted, but the movie gentlemen simply could not believe the warning—and ignored it. The result was a storm that has all but driven the industry into chronic jitters. And yet, the very thing that seemed so menacing has produced a favorable reaction for the pictures. Things are improving and there is a rosy glow on the horizon.

Factors of Improvement

Well sustained attendance at theaters, reduced costs of production and certain advances in percentage distribution —at the expense of the exhibitor—have combined to improve the prospects of the picture companies without doubt. If that prospective improvement is not today reflected in the security markets it is simply because the companies' deficits were so deeply incarmined that a few shades toward pink have not been appreciable to the investing public. Observing the situation from the inside, this writer entertains little doubt that eventually black figures may be expected to appear in the movie financial statements.

One of the additional reasons for price weakness may be that there has been no appreciable reduction of the funded and unfunded debt of the major companies. Indeed, one at least has been engaged for some months in an endeavor to borrow heavily. Calculated from the last published financial statements the amount of this debt runs considerably in excess of four hundred million, which, however you look at it, is a fairly heavy charge on earnings. Paramount's projected deal to borrow $13,000,000 on its negatives and which ran into a snag some time ago, may, before this sees print, be worked out on a compromise basis of $5,000,000. And this debt looms menacingly to a greater degree today because as a result of the conditions that descended on the movie companies two years ago, large portions of capital liabilities had perforce to be written off, which, while it has relieved the situation somewhat, has thrown the debt figures into higher relief.

Increased Attendance Expected

In sharp contrast to American motion picture attendance, the Canadian situation has improved by from 35 to 40 per cent in the last few months, due, not improbably, to increased employment across the border. But while we have experienced a slight falling off in attendance, there has been a slight upward trend in prices, which, while it has not wholly counterbalanced the loss in patronage has tended to keep the scales fairly even. It is confidently expected that there will be an improvement in late October. The cause will be an increased Federal aid program to carry through the winter months and an expected improvement in employment following the late summer sag. If the thought that some Federal aid money goes into the purchase of amusement causes acute agony to some reactionaries, no such

High and Low Price Range of Market Appraisal of Leading Film Stocks

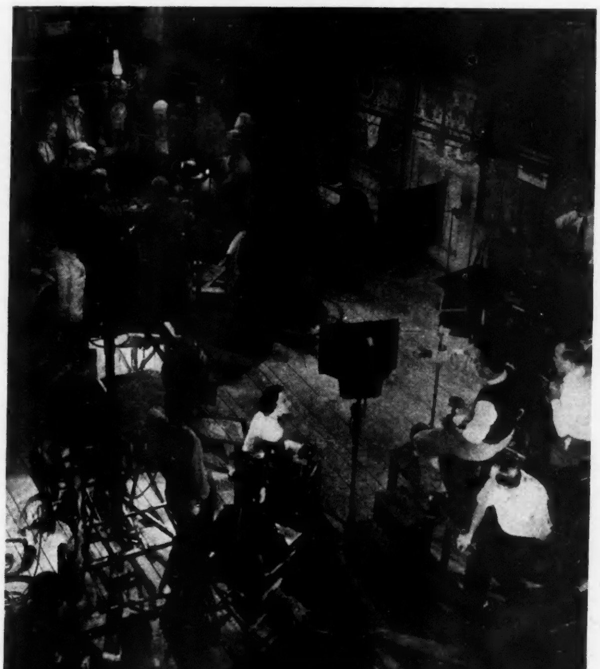
	1929	1930	1931	1932	1933	1934
Columbia	38¼—16½	54¾—14	22 — 2⅝	14⅞— 4¼	28 — 6⅝	34¾—21½
Fox Film "A"	105⅝—19⅛	57⅜—16⅛	38⅜— 2½	5⅞— 1	4⅞— ¾	17½— 8¼
Loew's, Inc.	84½—32	95¾—41¾	63½—23⅞	37⅜—13¼	36½— 8½	35⅛—16⅛
Paramount	75½—35	77¼—34¾	50¼— 5½	11½— 1½	2½— ⅛	5⅞— 1¾
R. K. O. (Class "A")	46⅞—12	50 —14⅜	(Common) 4 — 2¾	7¾— 1½	5¾— 1	4¼— 1⅛

alarm will be felt in Washington where it is clearly understood that entertainment is at least one factor in recovery.

The net position of the producing companies as mentioned earlier in these lines, is improved over last year. The producers have become somewhat accustomed to economic pressure, and have learned to handle money with a tablespoon in place of the former popular scoop shovel. They are planning their pictures with more care and their ideas are not quite so ambitious. While it is true that the million-dollar picture has not entirely disappeared from our midst, the fact remains that the average production cost has been lowered, even though the tendency during the last few months is slightly upward in scope, a situation not extraordinary when the producers of pictures began to realize that the new type of picture forced upon them had not spelled ruin. While N R A has taken off the brakes on artists' salaries, the picture makers have realized that actors needn't cost quite so much if they don't compete with each other, and this is showing itself as options on contracts come up for renewal. Also there is the tendency toward shorter casts and generally lowered personnel and material costs.

The decency campaign, indeed, is proving distinctly an advantage to picture production and exhibition. Confessedly the producers do not understand it, but they are none the less content in a wide-eyed puzzled fashion. Some months ago, in these columns, it was shown that the big box office winners have been the pictures in which the evil note was absent, where honor and cleanliness have been ideally portrayed. By those in control of production this fact has been ignored simply because it seemed incomprehensible. Besides, an off-color picture was much easier to make!

The fact is that the decency campaign, while it may have alienated certain sophisticates, has brought to the theaters a new group of patrons; those whose requirements were for the sort of picture that could be viewed by the family group without embarrassment.



Photos, Courtesy, United Artists

The Film "Our Daily Bread" in the Making

Some idea of the attitude of the public toward cleaner pictures may be gained from an official statement made to the writer on Monday, September 17, in these words:

"For the forty-five days prior to last Saturday (September 15) the attendance in the theaters of three large chains has improved more than 40 per cent, and the attendance in the past week is just double that of the attendance for the same week of 1933. There is no question as to the favorable reaction on the part of the American public. Further, there is every indication that no better investment can be made by the producers of pictures than an investment in clean, good, wholesome entertainment. That's where the dividends lie."

Then, too, the decided trend toward double feature booking has had its share in holding up theater attendance. While it has been argued that the theaters could never adopt this as a permanent policy, it begins to look as if the public had adopted that policy for them. The growing practice is one good picture from a major studio, and one less costly as to rental.

Those who expect a return to former earning levels within the next year or two are likely to be disappointed, but that satisfactory dividends *can* be earned is evidenced by the recently published statement of Columbia Pictures Corp. which, for the fiscal year ending June 30, last, showed net earnings of $5.69 per share. Columbia, it may be said, is not a fair example, for while now ranking among the majors, it has always managed to operate on a lower cost per unit than any of its big competitors. For years its maximum costs never exceeded $50,000 per picture and it does not now go over $400,000 for a feature.

The question of radio competition does not yet loom so seriously as to prove a justifiable factor in the judgment of cinema values. Some theater owners are inclined to view radio appearances of movie celebrities as good publicity, while others regard it as disastrous. As to production or entertainment values there is doubt whether in its present form radio will ever seriously invade the movie *(Please turn to page 625)*

The Magazine of Wall

THE MAGAZINE OF WALL STREET's Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration, while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned † 1932	Fixed Charges times earned † 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Atchison, Topeka & Santa Fe Ry.								
**General 4s, 1995	310	152	1.6	1.3	N C	101	4.0	High grade investment.
Adjustment 4s, 1995	310	51	1.6	1.3	N C	93	4.3	Junior to issue above, but still high grade.
Conv. Deb. 4½s, 1948	310	28	1.6	1.3	102 '38	102	4.3	Good bond, tho not mtge. secured.
California-Arizona 1st & Ref. 4½s, '62	310	33	1.6	1.3	110	104	4.3	High grade.
Transcontinental Short Line 4s, 1958	310	23	1.6	1.3	110	101	3.9	Underlies Gen. 4s, Highest grade.
Chicago, Rock Island & Pacific Ry.								
General 4s, 1988	311	100	.3	.2	N C	55	...	Road is in receivership and interest on this issue is being deferred.
Secured "A" 4½s, 1952	311	40	.3	.2	102½*	19	...	Secured by $45,000,000 1st & Ref. 4s.
1st & Ref. 4s, 4.1.34	311	222	.3	.2	N C	19	...	Principal and interest in default.
Conv. 4½s, 1960	311	32	.3	.2	105 '36*	7	...	Not mtge. secured. Will suffer in reorganization.
R. I. Ark. & Lou. 1st 4½s, 3.1.34	311	15	.3	.2	105	11	...	} Principal and interest in default.
Burl., Ced. Rap. & Nor. 1st 5s, 4.1.34	311	19	.3	.2	N C	27	...	} Principal and interest in default.
St. Paul & K. C. Sh. L. 1st 4½s, 1941	311	28	.3	.2	105	17	...	Interest default Aug., 1933.
Kansas City Terminal 1st 4s, 1960	50	50	....	....	105	101	3.9	Guarantors include the Atchison, the Burlington and the U. P.
Pennsylvania R. R.								
**Cons. 4½s, 1960	590	93	1.2	1.2	N C	108	4.0	A high grade investment.
*Gen. "A" 4½s, 1965	590	285	1.2	1.2	N C	100	4.5	Junior to issue above. Good grade.
Sec. 6½s, 2.1.36	590	60	1.2	1.2	N C	106	2.7	Pledged securities include $60,000,000 general mortgage bonds.
Sec. 5s, 1964	590	50	1.2	1.2	105*	101	4.9	Secured pledge div.-paying stocks.
Deb. 4½s, 1970	590	60	1.2	1.2	102½ '40*	87	5.3	Tho unsecured by mortgage, issue is of reasonably good caliber.
Allegheny Val. Ry. Gen. (now 1st) 4s, '42	590	20	1.2	1.2	N C	102	3.7	High grade.
Pennsylvania Co. Tr. Ctfs. "E" 4s, 1952	590	28	1.2	1.2	N C	95	4.4	Well secured holding.
Guaranteed Issues								
Long Island R. R. Ref. 4s, 1949	46	27	2.4	2.0	N C	99	4.1	Better grade even on its own merits.
N. Y. Connecting R. R. 1st "A" 4½s, '53	..	27	....	....	105	104	4.2	New Haven also guarantees. Better grade.
Pennsylvania, Ohio & Detroit 1st & Ref. "A" 4½s, 1977	..	32	....	....	102½*	100	4.5	Better grade.
Phila., Balt. & Washington R. R.								
1st 4s, 1943	..	16	....	....	N C	105	3.4	Of the highest grade.
Gen. "C" 4½s, 1977	..	39	....	....	N C	103	4.2	Junior to issue above, but still strong.
Pitts., Cin., Chic. & St. Louis R. R.								
Con. "A" 4½s, 1940	..	39	....	....	N C	106	3.4	High grade investment.
Gen. "B" 5s, 1975	..	76	....	....	N C	106	4.7	Junior to issue above, but still strong.
Western N. Y. & Penn. Gen. 4s, 1943	..	10	....	....	N C	99	4.1	Better grade.
**St. Paul Un. Depot 1st & Ref. "A" 5s, 1972	15	15	....	....	110 '42*	108	4.6	Guarantors include the Northern Pacific, Gt. Northern and the Burlington.
Terminal R. R. Association of St. Louis								
1st 4½s, 10.1.39	47	7	....	....	N C	106	3.2	Among the guarantors are strong roads. High grade.
1st Cons. 5s, 1944	47	5	....	....	N C	108	4.0	Mortgage position junior to issue above, but bears similar guarantee.
Gen. Ref. 4s, 1953	47	35	....	....	110	95	4.4	Still strong, tho junior to two issues above.

Public Utilities

American Telephone & Telegraph Co.								
Collateral Trust 5s, 1946	445	66	6.8	6.6	105	109	4.0	Of the highest grade.
Deb. 5s, 1965	445	379	6.8	6.6	110*	109	4.5	Strong bond, tho not secured by mtge.
American Water Works & Electric Co.								
Conv. Coll. Tr. 5s, 1944	185	15	1.2	1.2	102*	99	5.1	Security pledged is valuable. Good, sound bond.
Deb. "A" 6s, 1975	185	11	1.2	1.2	110*	75	8.1	Medium grade.
Monongahela West Penn Pub. Ser. 1st Lien & Ref. "B" 5½s, 1953	24	14	1.5	1.6	105*	80	7.5	Reasonably strong.
Potomac Edison 1st "E" 5s, 1956	17	17	1.9	2.0	105*	97	5.2	Entitled to a sound rating.
West Penn Power 1st "G" 5s, 1956	50	50	3.5	3.6	105*	108	4.4	High grade.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned † 1932	Fixed Charges times earned † 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Bell Telephone of Pennsylvania								
1st & Ref. "C" 5s, 1960	97	85	2.1	1.9	100 '57	114	4.1	High grade.
Central Dis. Tel. 1st 5s, 1943	97	9	2.1	1.9	105	108	3.8	Assumed B. T. of Pa. High grade.
★Commonwealth Edison 1st "F" 4s, 1981	195	175	2.0	1.8	105*	90	4.5	Better grade.
Duquesne Light 1st "A" 4½s, 1967	70	70	4.7	4.1	104½*	107	4.1	High grade investment.
Gulf States Utilities 1st & Ref. "A" 5s, '56	21	20	1.7	1.7	105*	85	6.3	Reasonably good bond, tho certain municipalities show disposition to build competing plants.
Interstate Power Co. (Del.)								
1st 5s, 1957	36	29	1.2	1.2	104*	49	10.2§	None too strong.
Deb. 6s, 1952	36	8	1.2	1.2	104*	36	16.7§	Junior to issue above.
Metropolitan Edison 1st "D" 4½s, 1968	41	39	2.6	2.4	107½*	94	4.9	Good grade issue.
Milwaukee Elec. Ry. & Light Ref. & 1st (now 1st) "B" 5s, 1961	63	63	1.4	1.4	103½*	76	7.0	Fairly strong only.
National Pwr. & Lt. Deb. "B" 5s, 2030	280	25	1.4	1.3	106*	55	9.1	Present political trend lowers merit.
Nebraska Power 1st 4½s, 1981	20	17	3.1	2.8	107½*	104	4.3	Better grade investment.
Nevada-Cal. El. 1st Tr. 5s, 1956	31	28	1.2	1.2	102½*	68	8.2	Represents large pro portion of total debt.
★★New England Tel. & Tel. 1st "B" 4½s, '61	88	75	2.5	2.3	100 '53	108	4.0	High grade investment issue.
New York Steam 1st 5s, 1951	28	28	2.1	2.0	105*	106	4.5	Better grade.
Niagara, Lock. & Ont. Pwr. 1st & Ref. 5s, '55	25	19	2.1	1.7	105*	101	4.9	Good grade.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	1.0	def	102½*	48	11.5§	None too strong holding co. obligation.
Northern States Power Co. (Minn.)								
1st & Ref. "A" 5s, 1941	100	79	2.4	2.2	105*	103	4.5	Better grade investment.
Ref. 4½s, 1961	100	45	2.4	2.2	105*	89	5.3	Almost equivalent security to issue above.
Penn Central Lt. & Pwr. 1st 4½s, 1977	28	28	1.9	1.8	105*	81	5.7	Good bond.
Pennsylvania Pwr. & Lt. 1st 4½s, 1981	132	121	2.6	2.5	105*	96	4.7	Better grade bond.
Public Service Co. of Northern Illinois								
1st & Ref. 5s, 1956	129	92	1.7	1.4	110	89	5.9	Greater part pledged under 1st lien & ref. bonds. Reasonably strong.
1st Lien & Ref. "F" 4½s, 1981	129	90	1.7	1.4	102½*	75	6.1	Jr. to issue above and prior liens thereto.
Southern California Edison								
Gen. 5s, 11.1.39	138	13	3.0	2.6	105	107	3.5	Entitled to the highest rating.
Ref. 5s, 1951	138	120	3.0	2.6	105*	102	4.8	Junior to issue above.
Standard Power & Light Deb. 6s, 1957	481	24	1.0	1.0	105*	39	15.4§	Assumed by Std. Gas. None too strong.
Toledo Edison 1st 5s, 1962	28	28	2.7	2.4	105*	103	4.8	Better grade.
West Texas Utilities 1st 5s, 1957	25	25	1.3	1.2	103*	54	10.2	Second grade bond.
Western United G. & E. 1st "A" 5½s, 1955	26	26	1.9	1.7	105*	83	7.0	Fair caliber issue.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1932	1933	Call‡	Recent	Yield to Maturity	COMMENT
Bethlehem Steel Corp.								
10-yr. 4½s, 1934/1941	121	8	def	def	N C	...	...	Better grade, tho unsecured by mtge.
Midvale Steel & Ordnance 5s, 3.1.36	121	31	def	def	105	101	4.3	Strong bonds.
Beth. Steel Co. 1st & Ref. 5s, 1942	121	24	def	def	105	102	4.7	
McClintic-Marshall Coll. Tr. 5½s, 1934/37	121	8	def	def	102½	...	...	Better grade.
Pacific Coast Steel 5s, 1934/1940	121	7	def	def	100	...	...	Good issue.
Bethlehem Steel Co. P. M. 6s, 1998	121	8	def	def	N C	117	5.0	Better grade.
Bethlehem Steel Co. P. M. & Imp. 5s, 7.1.36	121	23	def	def	105	102	4.0	
General Steel Castings 1st "A" 5½s, 1949	17	17	def	def	107½*	84	7.3	Doing better. Medium grade.
Inland Steel 1st "A" 4½s, 1978	41	41	def	1.1	102½*	99	4.4	Strong bond.
Penn-Dixie Cement 1st "A" 6s, 1941	10	10	def	def	103*	67	9.0§	Somewhat speculative.
Philadelphia & Read. Coal & Iron								
Ref. 5s, 1973	58	27	def	def	105	59	8.7	Almost speculative.
Conv. Deb. 6s, 1949	58	31	def	def	110*	46	13.0§	Junior to issue above.
★Shell Union Oil Deb. 5s, 1949	80	60	.2	def	102*	100	5.0	Good caliber issue.
Shell Pipe Line Deb. 5s, 1952	25	25	9.9	9.1	102½*	101	4.9	Shell Union guarantees. Good grade.
Sinclair Consolidated Oil (now Consol. Oil)								
1st Lien Coll. "A" 7s, 3.15.37	46	43	....	1.0	101½*	103	5.7	Good, sound bond.
Strawbridge & Clothier 1st 5s, 1948	11	11	.8	1.5	102¾*	...	...	Strengthened by last year's improvement.

Short-Term Issues

Company	Due date		1932	1933	Call‡	Recent	Yield to Maturity	COMMENT
★Armour & Co. (Ill.) R. E. 1st 4½s	6.1.39	38	.2n	1.5n	102½	100	4.5	n Years to 10.31. Good bond.
Cleveland El. Illum. 1st 5s	4.1.39	30	3.9	3.4	102*	106	3.5	Of the highest grade.
Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.2m	2.9m	N C	107	2.5	mEarnings Sou. Bell Tel. assuming co. Highest grade.
Edison Electric Ill. (Bos.) Notes 5s	5.2.35	61	2.6	2.3	100½*	101	4.0	Company enjoys a fine credit standing.
★★Texas Power & Light 1st 5s	6.1.37	25	1.8	1.8	105	102	4.2	Of good investment caliber.
Third Avenue R. R. 1st 5s	7.1.37	5	2.0	....	N C	100	5.0	Among the stronger traction issues.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rent for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. ★★ Our preferences where safety of principal is predominant consideration. ★ Our preferences where some slight risk may be taken in order to obtain a higher return. § Current Yield.

Early Recovery or Government Ownership for the Railroads

Investors Have Vital Interest in What May Be Done in the Next Few Months

By Pierce H. Fulton

EITHER the railroads of the United States are destined for improvement or they will be taken over by the Government. Moreover it is apparent that such improvement as is essential to their continued private operation must be facilitated not only by generally improving business with its accompanying increase in traffic but also by certain relief, assistance and co-operation from the four groups most vitally concerned with railroad welfare, viz: government, security holders, railroad managements and the public. All have much at stake in the future of these properties. Three of these groups are soon to undertake, at least, one or more have begun already, "to do something for the railroads." The attitude of the fourth group, the public, has not been disclosed, except in opposition to the recently filed application for an increase of about 10% in freight rates.

Gross Revenues and Net Income for Class I Railroads

	Gross Revenues 1933	Gross Revenues 1934	Net Income* 1933	Net Income* 1934
	(000's omitted)		(000's omitted)	
January	226,555	258,006	44,875	62,157
February	212,154	248,439	40,820	59,848
March	218,102	293,177	42,378	83,927
April	224,859	265,391	51,560	65,204
May	255,241	282,024	73,663	72,013
June	278,329	282,779	92,987	74,466
July	293,723	275,983	98,803	67,500
August	297,018	......	94,565	.....
September	292,147	......	92,731	.....
October	294,342	......	89,647	.....
November	257,676	......	65,851	.....
December	245,330	......	58,248	.....

* Before Taxes.

As in all other circles of present day life, primary interest centers in what the Government can do. Here are the possibilities:

1.—Legislation by Congress giving the Interstate Commerce Commission authority to regulate motor buses and trucks as it does the steam railroads, and to co-ordinate the facilities of all three mediums of transportation.

2.—Direction by Congress to the I C C to confine its activities to supervision and regulation of the railroads, withdrawing from the managerial field, into which it has gone so far in some respects.

3.—Permission by the I C C to the railroads to readjust their freight rate structure comprehensively to meet present economic and competitive conditions.

4.—Granting by I C C of application for 10% increase in freight rates, recently filed.

5.—Discontinuance by Government of subsidies to inland waterways and permission to charge materially lower rates than the railroads.

6.—Revision by Congress of the labor clause of the Transportation Act, known as 7 A, making genuine co-ordination of physical facilities possible, without running amuck of organized labor.

7.—Guarantee of fixed charges.

8.—Decision by the U. S. Supreme Court declaring unconstitutional the pension bill passed by last session of Congress.

Large as these potentialities loom, however, the railroad dilemma cannot be solved by the Government alone. Security holders, the public and the railroads themselves must do their part if the latter are to be put soundly on their feet and prosper again.

Railroad bond and stock holders can help materially by evincing a greater interest in the management of their properties, by attending annual meetings and studying annual reports and railroad affairs in general. A group of large savings banks and insurance companies, owners of millions of railroad bonds, has been active for many months and has accomplished much in the interest of those institutions and railroad security holders in general.

The public can help the railroads by co-operating instead of opposing the policy of their managers, and likewise freight and passenger rates, where they are found to be reasonable, and particularly by patronizing both freight and passenger services instead of those of the truck and the bus, when by doing the former special inconvenience and loss of money will not be experienced.

Material improvement or outstanding reform never can be brought about in connection with any enterprise unless those directly involved in the management do their part, and probably assume the biggest part of the load. Specifically, the railroads cannot be helped effectively unless they do more in various respects than they have to help themselves.

Railway executives and directors can help the present railroad situation in the following ways:

1.—By showing a greater degree of co-operation among themselves with respect to general problems.

2.—By eliminating certain long standing and ques-

tionable practices, notably in the solicitation of freight traffic.

3.—By renewing effort in general with respect to the putting of the railroads firmly on their feet again and thus avoiding government ownership—possibly.

4.—Some railway executives need to get back their "pep" and fighting spirit.

A Critical Point

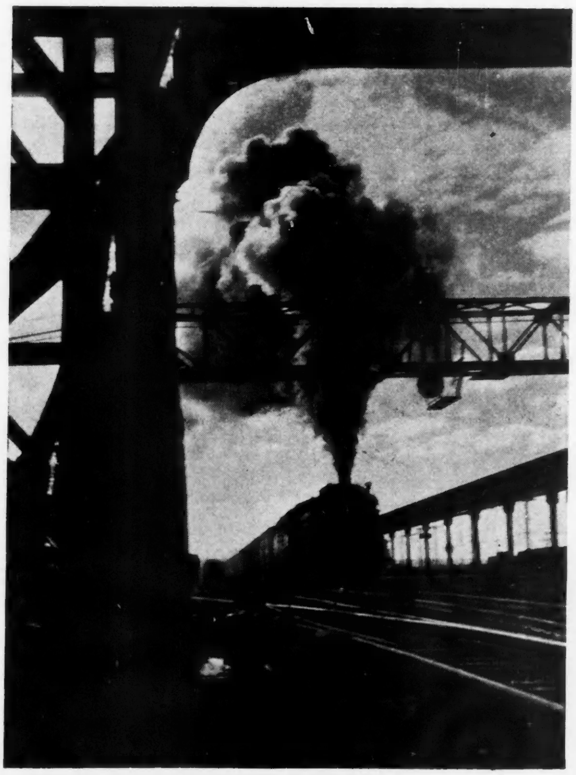
There comes a time in many situations when failure to do what should be done almost invariably brings disaster. That time, in the judgment of many authorities, has come in the position of the steam railroads of the United States. Unless the four-group co-operation and effort just outlined are realized, railroad security holders are likely to experience a greater degree of disaster than they have in the last five years.

That the program outlined is imperative if the railroads of the United States are to be saved from government ownership, is self evident in even a cursory examination of the high lights in the current situation.

While both gross and net earnings for the first seven months of this year showed distinct improvement over the corresponding period of 1933, they fell well below the levels at which earnings must be again if the railroads are to be in a sound position.

Combined gross earnings of Class I railroads reporting to the I C C for the seven months ended July 31, were 11.5% larger than for the like period of the year before. Aggregate net railway operating income was $261,024,805, an increase of $41,543,278 over the like period of 1933. That amount was equivalent to 1.99% on property investment against 1.66% for the first seven months of the previous year. The combined final result after fixed charges for the seven months period is not available, but for the first six months there was a net loss of $24,853,445 against a net loss last year of $101,204,009. That the former amount was increased in July seems probable as gross operating income dropped 6% and operating expenses increased 7% compared with July, 1933.

There is something materially wrong somewhere when the railroads of the United States fall short, by the amount indicated, of earning fixed charges for the first half of a year in which the business of the country improved to the extent that it did, and during which gross earnings of the railroads were up 11.5%. The steam carriers as a whole did not make a good start in July for the second half of the current year. Decreases in both gross and net earnings were quite common, and for Class I roads as a whole aggregated $17,740,354 in gross and $29,531,713 in net railway operating income. Some of the larger systems are likely to report a substantial net loss after fixed charges for that month. New York Central, for instance, failed by more than $1,200,000 to earn fixed charges. It seems doubtful that the roads as a whole covered that obligation for July. The August returns probably will prove to have been better than for the previous month.



Fechner Photo, from Nesmith

Borrowing Difficulties

So much, for the moment, for earnings. Obviously, they were not enough to satisfy even bondholders, and in many cases left nothing for stockholders. Certainly the position of the railroads is not strong when fixed charges are not earned at mid-year and later. If this situation continues through the last five months of the current fiscal period it simply means that the individual roads that do not cover that item out of earnings and from other income will be forced to try to borrow more money from the Government—the banks have not made loans of any account to the railroads for some time.

If the railroads are unsuccessful in this attempt, receivership, or bankruptcy under the new law, is the only alternative. The I C C, for some little time, has applied the acid test to the railroads asking for an extension of Reconstruction Finance Corporation loans, or for additional accommodations from that body. Does the applicant need reorganization of its capital structure? If the I C C decides in the affirmative the application is not granted. If in the negative, and other requirements are met, generally it is granted.

But just here is the vital rub. Probably most of the roads that may find it necessary to seek help from the R F C to meet taxes and fixed charges for the current year are just the roads that have borrowed all they should, and perhaps all they can, on available collateral, already.

It is perfectly plain that such a situation cannot go on much longer if the great, and until five years ago, highly prosperous steam railroad system of this country is to be saved and put soundly on its own footing again. And saved it must be if the 34 million holders of railroad securities are to conserve the 19 billion dollars invested.

There are indications that the Administration is alive to the situation. Recently the President has conferred with Joseph B. Eastman, Federal Co-ordinator of Transportation representing the chief railroad regulatory body, and John J. Pelley, president of the New Haven Railroad representing the railroads.

It is now reported that the "something" can and will be done for the railroads during the remaining months of this year and that a comprehensive legislative program would be proposed in the early part of the next

session of Congress, which convenes early in January.

Just what this program will be has not been disclosed, but it is believed that it will provide, not only for regulation of the bus, truck and waterways, and perhaps airplane by the I C C, but also for the co-ordination of the facilities of these newer mediums of transportation with those of the railroads. That this should have been done several years ago, regardless of opposition by the heads of those mediums, is quite generally maintained in railroad and other circles. This opposition has assumed formidable proportions through political channels, even enough to prevent, so far, giving the I C C supervisory and regulatory powers over those mediums. How much longer will the President, with such potent influence as he has over Congress, allow this situation to exist, when the position of the railroads is so serious? Not much longer, according to well-defined reports from Hyde Park and Washington.

It is not yet known whether the program will recommend the Government's guarantee of fixed charges but if the other measures already mentioned are adopted this measure would be unnecessary.

As to what the railroads can do to help themselves. First of all, their executives must agree among themselves on big and broad questions to a greater extent than they have in the past. Those in the East often have not agreed with those in the West and South regarding such matters as rate increases and reductions and many other broad questions. If those who are running the railroads do not present a solid front to the Government and the public, and do not work hand in hand to solve their own problems as far as possible, what justification have they to ask for help from either the Government or the public?

So long as general consolidation is not in effect, the common good should not be lost sight of in efforts to maintain the identity, and supremacy even of the individual railroad or system. Some railway executives need to become more nationally minded with regard to the big problems with which the railroads of this country are confronted. This is by no means easy under the present highly competitive conditions between the railroads themselves and between the railroads and the other mediums of transportation, in a given section of the country. But it should be aimed at more aggressively and generally than in the past.

Various associations have been formed to act as clearing houses, as it were, for railroad policies and problems, but they never have been strikingly successful, partly because of the lack of absolute power to act, and also because of the more or less chronic failure of the executives to agree among themselves, and to submit to the authority of such bodies. Recently the railroads voted to consolidate the Association of Railway Executives and the American Railway Association. The former recommended broad policies for the railroads and has acted largely in an advisory capacity. It had its origin in Federal control of the railroads during the war. The American Railway Association handled mostly operating and traffic matters common to all the railroads.

In the place of these two organizations, and to serve in still other fields, a new organization, to be known as the Association of American Railroads, was formed in Chicago a few days ago. John J. Pelley, for some years president of the New Haven Railroad, and recognized as one of the most active and forceful railway executives of the United States, has been elected head of the new organization. Its headquarters will be in Washington, D. C. The plan of organization calls for 14 directors and 9 vice-presidents. Each of the latter will have charge of one of the important divisions of railroad management, such as finance, law, traffic, etc.

This organization will be the body with which the railroads of the United States will deal with respect to big and general problems, and will serve likewise as a medium of contact and clearing house between the railroads on the one side, the Government and the public on the other. Its authority will be absolute, but in the case of a difference of opinion with respect to an important matter, on the part of an individual railroad, provision is made for arbitration. The purposes of the new organization are officially set forth as follows: "The new organization constitutes an aggressive and determined effort to deal with common prob-

(*Please turn to page* 631)

Indebtedness of Leading Railroads

Railroad	Funded Debt(†)	Loans and Bills Payable(a)	R F C Loans(b)	Fixed Charges Times Earned 1933	Fixed Charges Times Earned 6 Mos. to June 30 '34
Atchison, Topeka & S. F	309,664,000	None	None	1.28	1.18
Atlantic Coast Line	132,356,530	6,500,000	None	0.69	1.32
Baltimore & Ohio	673,923,420	22,393,000(c)	72,096,000	1.01	0.86
Chesapeake & Ohio	219,957,700	None	None	3.71	3.78
Chic., Mil., St. Paul & Pac.	320,088,630	4,319,000	8,000,000	0.65*	0.44*
Chicago & North Western	372,104,402	24,895,000	31,309,000	0.55	0.32
Chic., R. I. & Pac.	328,252,029	17,550,000	12,500,000	0.25	0.10
Del., Lack. & West	135,971,279	None	None	0.65	0.96
Erie	309,421,559	8,748,000	13,403,000	1.03	1.11
Great Northern	356,810,801	5,616,000	None	0.84	0.58
Illinois Central	374,420,741	None	13,800,000	1.00	0.82
Kansas City Southern	64,942,200	None	None	0.58	0.63
Lehigh Valley	183,358,986	5,684,000	4,500,000	0.67	0.92
Louisville & Nashville	228,207,224	None	None	1.16	1.48
Missouri-Kansas-Tex.	93,448,441	None	None	0.81*	0.49*
Missouri Pacific	400,556,037	25,620,000	23,134,800	0.39	0.41
New York Central	1,146,570,760	68,221,000	27,499,000	0.91	0.95
N. Y., Chic. & St. Louis	166,944,783	4,244,000	15,504,027	0.85	1.11
N. Y., N. H. & Hartford	319,544,283	19,896,000	578,224	0.74	0.85
Norfolk & Western	91,253,532	None	None	6.43	6.92
Northern Pacific	309,222,500	None	None	1.02	0.66
Pennsylvania	1,001,989,220	None	28,900,000	1.23	1.25
Reading	136,292,063	None	None	1.70	1.79
St. Louis-San Francisco	300,439,806	13,976,000	5,190,000	0.24	0.28
St. Louis Southwestern	79,340,700	None	17,832,000	0.56	0.72
Southern Pacific	713,098,034	21,500,000	22,000,000	0.85	0.85
Southern Railway	350,046,609	None	14,500,000	0.96	0.86
Union Pacific	360,416,967	None	None	2.42	1.87
Western Maryland	68,638,798	1,151,000	None	1.29	1.33

(a) June 30, 1934. (b) June 30, 1934. (c) Since paid off by sale of $50,000,000 5 yr. 4½s.
* Excluding adjustment bond interest. † Dec. 31, 1933.

Securities to Hold in a Balanced Portfolio Under Prospective Conditions

For Income, Possible Profit and Protection Against Inflation or Runaway Prices

By J. C. Clifford

Today, investors everywhere are engaged in a desperate search for something that will keep intact their savings. Bonds, on the one hand, are menaced by the Government's tinkerings with the money with a view to raising prices: stocks, on the other hand, which depend upon corporate earning power for their value, are no less threatened by taxation and political regulation. Under such circumstances, it is essential that every advantage be taken of individual securities so situated that they will tend to offset the disadvantages of their class.

ONLY once or twice in a lifetime does a man have an investment problem like that of today. Ordinarily, while he knows that the price of goods and services fluctuate to some extent, he knows also that the trend can hardly be one way all the time and that a disadvantage one year probably will be compensated the next. He therefore concentrates merely upon the task of keeping intact, or perhaps enlarging, a given sum of dollars, pounds, or francs and deriving a currency income therefrom. But today it is essential that he go to the real base of his problem, which is the keeping intact of a given store of goods and services and the deriving of a "goods and services" income therefrom.

Many Considerations

Nor can that which follows be dismissed with a bored: "It's the old inflation story; buy common stocks." True, "inflation" is *a* consideration, although it is merely a minor consideration, at least so far as there is a prospect at the present time of anything happening in this country similar to the monetary occurrences in Germany, Austria and other countries after the War. On the other hand, it is a valid part of today's investment problem to take into consideration a further material and permanent rise in the cost of living brought about by the monetary manipulation which has taken place in the United States over the past year or two. Yet, even this is by no means all that there is to the problem; there are a number of other factors equally important.

Ever since the United States commenced its tinkering with the dollar there has been a marked tendency for the individual to take one of two extreme attitudes. The first, and perhaps the most popular, has been the one that holds, because the dollar is going to depreciate, that all sound bonds, mortgages and preferred stocks should be sold and the proceeds placed in tangible property, or its representative, common stocks. The second group hold that the dollar is still the soundest money in the world, that because prices of commodities have gone up somewhat this is not the reciprocal of dollar weakness, and that on general principles it is an act of foolishness to exchange senior securities for anything as inherently speculative as a common stock.

While both these attitudes are not without a degree of validity, they each over-emphasize a particular point of view—to adopt the first is to gamble on the unsoundness of money, whereas the second represents a gamble on money's soundness. Only if we are to have an inflation like the German inflation of 1923 can the first be justified and then only with the mental note that there is no complete protection anywhere against such a disaster, except the transfer of one's capital outside the bounds of the country. As for the second, how can this be justified at the present time in view of the Government's stated intention to raise prices and the steps that have been taken already to attain this objective?

The sound investment program therefore necessarily must be a compromise between these two extreme courses. But where shall it be made? Shall one merely say arbitrarily: "All right, 50% in fixed income investments and 50% in equity investments, and let it go at that?" This might be a fairly reasonable course perhaps if there were any reason to suppose that fluctuations in the purchasing power of the dollar had any ascertainable relationship with the dividends paid on common stocks. But there is no such ascertainable relationship, now less than ever. Moreover, what fixed-income investments and what equity investments shall be chosen?

Unexpected Effects

There is, of course, some precedent for believing that corporate earnings tend to rise during a time of rising prices, but the validity of this as a forecaster of the future has been impaired—by taxes, for example. Let us suppose that the Government continues with its policy of depreciating the dollar. It depreciates vigorously, but taxes almost as vigorously. In other words, it is supposed that both the expenditure and revenue side of the budget are expanded greatly, although the former continues to exceed the latter by a substantial margin. Under such conditions, it might be supposed that

A Guide to Investment and the Reasons Therefor

SECURITY	COMMENTS
United States Government Bonds. (Partially exempt from income tax) **State Bonds.** (Exempt from Federal income taxes, but from State income taxes only in State of issue) Such as: California 4¼ 1941/47 Massachusetts 3½s, 1956 Maine 3½s, 1938/1939 New Jersey 4¼s, 1940 New York 3½s, 1940/81 Pennsylvania, Highway 4s, 1942	Public securities of high caliber may be said to afford absolute certainty of dollar principal and interest. Since it is inconceivable that tax-exemption be rescinded, the prospective increase in taxation should enhance their desirability. So far as the purchasing power of principal and interest is concerned, they are vulnerable to a higher cost of living. They become worthless in limitless inflation, but such a prospect is almost unimaginable. Chances of any price appreciation are slight under present conditions.
High grade Corporate Bonds. Such as: Atchison, Topeka & S. F. Gen. 4s, '95 Chesapeake & Ohio Cons. 5s, 1939 Norfolk & Western 1st 4s, 1996 New York Tel. & Tel. 1st & Gen. 4½s, '39 United El. of N. J. 1st 4s, 1949	Virtual certainty of dollar principal and interest. Return higher than obtainable from public securities, but whether they are actually more desirable than the former will depend upon the individual's circumstances and the size of his income for tax purposes. They possess exactly the same disadvantages as are possessed by public securities. Perhaps about 40% of the individual's total funds might be in bonds at the present time.
Preferred Stocks.	Under today's conditions, so far as the best preferred stocks are concerned, a bond of better security probably can be found to return as high a yield: so far as second rate preferred stocks are concerned, undoubtedly a "better buy" can be found in some common stock. A preferred stock's only true advantage is that the income currently affords some tax relief. Would, however, only disturb present holdings after careful appraisal of each individual issue.
Common Stocks. (Well-diversified among high grade income producers for the most part) Such as: Amer. Smelting & Refining Continental Can Corn Products du Pont Eastman Kodak General Electric International Nickel National Lead Pillsbury Flour Procter & Gamble Standard Oil (N. J.) Standard Brands U. S. Gypsum Union Carbide United Fruit	Representing tangible property rather than money, common stocks theoretically should be more satisfactory to a holder than fixed-income obligations in the event that the general price level moves markedly higher. Common stocks, however, are inherently speculative and one might conceivably lose more by an adverse company development than would be lost by currency depreciation in a bond. Common stocks, also, are vulnerable to taxation and the prospect on this score is distinctly adverse. Moreover, many such securities—the railroads and public utilities, for example—are vulnerable in addition to political interference and agitation. Perhaps some 60% of the individual's total funds might be in common stocks at the present time.

prices would rise, if not as the direct result of the governmental spending, then because of fear for the ultimate outcome. Corporate earnings on the other hand would be dragged back by the constantly mounting tax burden and the net result might well be, despite the fact that the holder of a good bond had lost purchasing power, that he were better off than the holder of a common stock, suffering not only from a loss of purchasing power but as a result of a price decline as well.

This perfectly logical conception is so diametrically opposed to what is generally supposed to be the relative position of bonds and common stocks in the event of rising prices that it is well worth noting. As a matter of fact it accounts satisfactorily for the happenings of the past year. Last September, should an investor have sold fixed income securities and bought in their place a representative list of better grade common stocks, wishing to protect himself against the rise in prices that undoubtedly has taken place since that time, he would today be better off had he kept his original holdings. And it is taxation, Federal, state, local, and "processing" that has played no small part in the failure of corporate earning power to rise with the increase in the price level.

All May Suffer

While this point has been made for the purpose of showing that there has been a rather too casual swallowing of the supposition that common stocks necessarily must be the most satisfactory holdings when the economic background is of an inflationary nature, it can also be used incidentally as an illustration of the likelihood of *all* investors suffering under present governmental policies. This is a pessimistic viewpoint, admittedly, but there are altogether too many people who believe that they can come out a winner in the game that is now being played. Rare, indeed, will be the man who achieves such fortune. Only one number draws the grand prize in the lotteries of Argentine and Spain, and think how many contribute!

At this point, undoubtedly some will say: "But, if common stocks have been worse than bonds and the latter admittedly have lost purchasing power in principal and interest, what can be done?" It is a dilemma, obviously. There is, however, one ray of light. It appears to lie in the discovery of securities which themselves have certain advantages that will tend to offset the disadvantages of their class. For example, all bonds under present conditions may be objected to on the grounds that there is likely to be a loss of purchasing power in principal and interest; all stocks on the grounds that any company making money is likely to be taxed to the strangulation point.

But there are certain bonds that can be bought that will avoid the incidence of the prospective increase in taxation and undoubtedly there are companies whose stocks will struggle forward in spite of an increased tax burden.

Tax Exempts

In the past, tax-exempt securities have been typically the investment medium of the rich. But today, with Federal normal income tax higher, surtaxes starting at $4,000 of taxable income, with more and more states levying their own income taxes, and with the very definite prospect that family exemptions shortly will be lower and the rates higher, these securities are now within the province of an individual of quite modest means. By and large, the obligations of all states, counties and cities are completely exempt from income taxes in state of issue; the majority of long-term United States Government obligations are free from normal tax, but are subject to surtax on a principal amount in excess of $5,000.

The selection of specific bonds, whatever their tax-exempt qualities, or whether they are not tax exempt at all, is solely a matter of individual circumstances. One might add, however, that the prospective increase in taxation should make it worthwhile paying a slight premium for tax-exemption over and above the actual equivalent yield figured by today's tax sechdules.

Having selected his bonds, the investor must admit to himself the probable loss in purchasing power of principal and interest and console himself with the thought that he has cash at his fingertips and complete assurance of a known dollar income. It may be, of course, some time within the not very distant future, that the Government's reflationary policies begin to take hold much more vigorously than they currently show signs of doing. In this case, a lightening of bond holdings to compensate for the change in the outlook would be a perfectly justifiable course.

In the selection of common stocks under present circumstances, care must be taken to avoid, or at least play lightly, issues possessing disadvantages similar to those of bonds. In other words, one's common stocks should hedge as much as possible one's bonds—not be subject to the same dangers. For these reasons, the public utilities, the railroads and certain miscellaneous companies, all of which have rigid, or semi-rigid selling prices for their goods and services, cannot be looked upon favorably as a class. In the event of rising prices for labor and materials in general, profits are caught between increasing costs and the more-or-less stable gross with unhappy results for those that have to depend upon them for their livelihood. So far as the railroads and public utilities are concerned their investment value is dimmed also by political agitation and manoeuvres. There naturally will be certain exceptions to this general rule of avoidance—railroads and public utility stocks whose market price discounts even the none-too-bright future, but by and large the generality should be a valuable one.

Desirable Types

The type of stock for which the investor today is looking is that of a company, the price of whose product can be raised promptly with increasing costs and without bringing about any marked decrease in demand. Also, because of the generally menacing labor situation some attention should be paid to whether or not labor accounts for a large proportion of the total cost. If it does not, so much the better.

Assuming that any stocks that eventually find themselves in the individual's portfolio are of good quality, it will be remarked perhaps that no consideration has been given to all the securities that are neither bonds of the highst grade nor stocks of good quality. What of medium and second grade bonds, preferred stocks of a caliber under the best and, finally, second rate common stocks?

Risk of Confusion

All these have been omitted deliberately. They confuse the issue. For example, under the impact of rising prices, second grade bonds act for a time in a manner characteristic of common stocks and only as they begin to approach their "ceiling" are they true to their designation. Exactly the same thing applies to second grade preferred stocks. As for second rate common stocks, their destiny is controlled much less by general business, or the business of their industry or territory, than by isolated and individual happenings to the companies themselves. One might say that none of these securities can be calculated to "run true to form" and are therefore unsuitable for general discussion. They must be taken individually and considered on their merits.

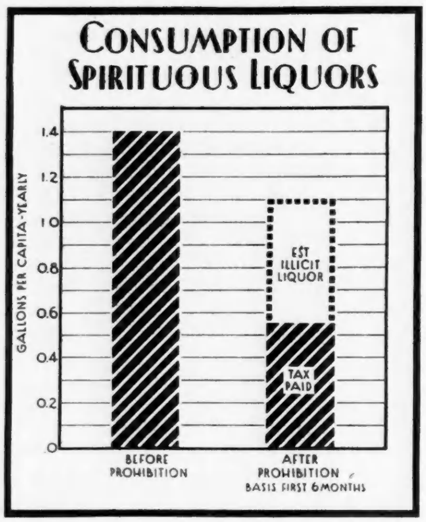
If one could answer the questions of how much the general price level is to rise and how much of the effect of this rise would be nullified by taxation or other political action, there would be no real problem in charting an investment course. But so long as an answer to these questions is possible only to one with supernatural powers, it appears best that an ordinary individual content himself with obtaining an average result. A portfolio containing both bonds and stocks offsets risk by risk, can be trimmed one way or another in accord with a change in conditions and, while by no means all that could be desired, nevertheless probably will be improved upon only by those who look backward after the future has become the past.

Bootlegging and Taxation Handicap Liquor Industry

Can the Liquor Stocks Come Back?

By Edwin A. Barnes

ON many sides, the advent of Repeal last December was hailed as the re-birth of an old industry. Effigies of the bootlegger and the blue-nosed reformer were burned and buried; old distilleries were hastily repaired and their vicinities again reeked with the smell of steaming mash; new distilleries were built; and every foreign country which produced anything in the way of a palatable liquor prepared to do their part in quenching the great American thirst—presumably sharpened by fourteen years of Prohibition. Our own Government prepared to reap a veritable harvest of new revenue and its anticipations were shared by every state and city where the sale of liquor became a legalized business.



The initial stimulus of Repeal was felt in many directions—real estate, lumber, glass, automobiles, furnishings and equipment and employment all came in for their share. Shrewd speculators had profited handsomely through the avidness of the public demand for those stocks of companies in any way connected with the liquor industry, however remote such connection may have been. Alas, it was almost inevitable that such unbounded enthusiasm would, sooner or later, suffer the cold water of practical realities.

New Growth—New Problems

With Repeal less than a year old, the liquor industry has acquired for itself a full set of problems and difficulties no less troublesome than those under which such mature industries as the oil, railroads and utilities are laboring. It was to be expected as a natural condition that the liquor industry would suffer the traditional "growing pains" but they have been intensified by other "pains" not usually found in the early stages of young industries and the reckless estimates of fabulous earnings which were being made a year ago have been severely tempered. The industry is in the unique position of having first been given the paternal blessing of the Government and then having the Government place a most formidable obstacle in the path of its progress. Ironically, however, the Government shares the industry's disappointment in the results.

It is not strictly accurate to say that the liquor industry was reborn with Repeal. Although the legalized production of spirits was relatively insignificant, being limited to liquors ostensibly for medicinal purposes, illegal production (bootlegging) was a flourishing business, as indeed it must have been to make an annual pre-Repeal consumption of 200,000,000 gallons possible. Prior to prohibition, the United States drank 140,000,000 gallons of liquor yearly, so if allowance is made for the increased population and changed drinking habits, the figure of 200,000,000 gallons of bootleg liquor is, if anything, low.

One of the strongest arguments used by protagonists of repeal was the unqualified prediction that bootlegging and all of its evil offspring would be promptly removed from the scene once the "noble experiment" came to an end. The bootlegger, as such, would be forced out of business. The repealists, however, apparently reckoned neither with the resourcefulness of the bootlegger or the shortsighted policy which would be pursued by the Government and municipalities in the matter of taxes and license fees.

Events played directly into the hands of the bootleggers. Repeal of the Eighteenth Amendment came with such dramatic suddenness that the stocks of aged whiskey on hand at the time were far from adequate and within the short space of time granted to distillers it was impossible to place on the market other than a hastily, and often imperfectly, blended product. Aged whiskey was available but at a price which discouraged popular demand. Thus, the bootlegger clinging on precariously and awaiting an opening, saw an opportunity to capitalize the situation to his advantage Well versed in the technique of forged labels, stamps and bottles and with a good supply of alcohol on hand, it was a comparatively simple matter for him to provide himself with the necessary merchandise and offer it at a lower price than the legitimate dealers. True, his customers for the most part were unscrupulous retailers, restaurants and taverns but the ultimate consumer could not know this and his limited experience with genuine merchandise did not enable him to detect any great difference.

Taxes Handicap

This advantage to the bootlegger, however, might have been short-lived but unintentionally the bootlegger was succored further by the imposition of a heavy internal revenue tax on which were pyramided various and sundry tax items originating with the various states and cities. License fees for

wholesale and retail selling were set at excessive levels; import restrictions were unduly severe; and the Government itself further complicated the situation by the sale of large quantities of seized liquors at auction for whatever they would bring. All of these taxes, fees and restrictions must be paid for by the consumer. But the sorely tried consumer is either unwilling or unable to pay and must either content himself with the cheaper malt beverages such as beer and ale or else intentionally, or otherwise, he is again the patron of the bootlegger.

Let us see how this works. The Government excise tax amounts to $2 a gallon on spirituous liquors, and New York State, for example, imposes an additional tax of $1 a gallon. This is equivalent to 75 cents on the popular quart-size bottle. Wholesale and retail licenses add 10-15 cents a bottle. While the cost of producing a quart of whiskey varies considerably, the total cost, including distillery overhead, of producing a quart of good blended whiskey is probably something over 50 cents. If we add a third to this to cover wholesale costs and profit the price to the retailer would average about $1.85 a bottle including taxes and license fees. Some brands run higher, others lower, depending largely on age. The average retail store figures that it is necessary to mark up the cost another third to secure a profit—15% selling and handling, 8% rent, light, etc., 7% profit, 3% reserve. This figure might be altered by delivery and advertising outlays but the minimum cost to the consumer is about $2.50 a quart for only a fair grade of whiskey. Before Prohibition, a good grade of whiskey could be obtained for $1.50 a quart and for $11-12 a case of 12 bottles.

A typical retail store located in the suburbs of New York City must do from $35,000 to $40,000 of gross business annually to clear a fair profit for its owner. This means that for at least 250 days out of the year his sales must gross $140-$175. Right now this owner does not think he will make the grade. This retailer knows that his territory is a fairly prosperous one, consumption is about what may be expected of an average suburban community, but the fact is people are simply not buying from him and he knows why. For one thing, there are numerous cut-rate stores in the city, some of which are doubtless obtaining their supplies from illicit sources. Quite a number of his customers, finding they can still buy bootleg alcohol, are again making their own gin. Many admit frankly they can't afford to pay his prices.

The case of the retailer just cited can be multiplied by the thousands. It is also true in the states where package liquor is sold through state-owned stores. Prices in Pennsylvania stores, for example, are higher than in New York, where retailing is in the hands of individuals, and sales likewise have been disappointing. Probably the greatest disappointment has been felt by United States Treasury officials for thus far tax receipts from liquor have fallen far below expectations, a condition which is readily explained by Mr. Choate, director of the Federal Alcohol Control Administration. In the opinion of this official, more than 50% of the liquor consumed in this country is illicit and therefore pays no tax.

In the face of this situation, however, Secretary of Treasury Morgenthau has taken the stand that there will be no reduction in liquor taxes, until the program of enforcement has been more thoroughly tested. If all of the resources of the Federal and State governments were not able to eliminate the bootlegger during Prohibition, it is hardly reasonable to suppose that with vastly reduced forces and finances he can be eliminated at this time, so long as he can enlist public support through lower prices. Until the bootlegger is effectively curbed, all branches of the liquor industry will continue to suffer. On the other hand if the Government reduced its enforcement it might lower taxes proportionately. Lower taxes would bring immediate relief and the industry itself could be expected to compete more effectively with the bootlegger as stocks of aged whiskey are accumulated permitting it either to offer a cheaper product or a superior one.

At the outset the liquor industry was dominated by several units and these companies obtained an initial advantage by being the first in the field. Since that time, however, the industry has undergone the mushroom type of expansion typical of young industries in the earlier stages. As of June, last, 393 distilleries were licensed and 150 additional applications were still pending. As early as last February, Mr. Choate of the F A C A estimated maximum licensed capacity as being in excess of 270,000,000 gallons annually. By the end of the year theoretical annual capacity may be enlarged to 400,000,000 gallons, greatly in excess of the most generous estimate of probable consumption. Production must of necessity be limited to about 50% of capacity and even if allowance is made for some portion of output being withheld for aging, there are still imports to be reckoned with.

On three occasions the Government has waived import quotas and permitted unlimited importations for a brief period, as part of its campaign against bootlegging. The effectiveness of imports in this connection is open to question because of the existing high duties. On the other hand imports most certainly have the effect of further intensifying the competitive situation. It is understood that large stocks of imported liquors are being accumulated in bonded warehouses in anticipation not only of a heavy holiday demand, but a reduction in the tariff later in the year. Should the latter event materialize, it is almost certain to be followed by increased agitation for lower domestic taxes.

That either the present or potential competitive situation in the liquor industry can continue for long is extremely unlikely. In every industry there are marginal producers which can operate profitably only when conditions are wholly favorable and, in poor times, hold out only so long as working capital remains sufficient to pay overhead and officers' salaries. In the liquor industry these marginal producers have sprung up like weeds. The applications for distillery licenses show this to be so. But, if anything, they will be eliminated faster from the liquor industry, due to the lack of sufficient working capital, than would be the case in other industries where conditions would more readily permit retrenchment.

The liquor distiller must be prepared to tie up a considerable portion of his working capital in aging whiskey.

(*Please turn to page* 630)

Representative Liquor Securities

	Earnings Per Share			
	1932	1933	1st 6 Mos. 1934	Recent Price
Amer. Commercial Alcohol	3.01	4.56	2.14	24
Commercial Solvents	0.51	0.88	0.47	18
Distillers Corp.—Seagrams	0.67(b)	0.55(b)	....	14
National Distillers	0.52	3.25	2.87	19
Schenley Distillers	...	3.35(a)	4.07	20
Hiram Walker	d0.39	d0.17	....	25

(a) 6 mos. to Dec. 31. (b) Year ended July 31. d Deficit.

UNITED FRUIT

Dollars from Bananas

Reciprocal Tariff Agreement with Central American Countries Should Open Way for Still More Satisfactory Profits

By Stanley Devlin

Highlights of United Fruit

Total Fixed Assets*	$109,510,000
Current Assets—12/31/33	48,916,650
Current Liabilities—12/31/33	8,967,988
Cash & Govt. Bonds—6/30/34	39,100,000
Insurance Fund, invested in Govt. Bonds	10,000,000
Funded Debt	14,386,415
Capital Stock (shs.)	2,925,000
Earned Surplus	$30,750,971
Dividend (†)	$3.00
Recent Quotation	73

*After Depreciation and Revaluation. †Dividends paid varying amounts continuously since 1899.

THE United Fruit Co., is a fruit company. Bananas are the backbone of its business. But in entrenching itself as the world's largest producer of bananas, the United Fruit Co., has created what virtually amounts to an industrial empire. It is no exaggeration to say that the company engages in about a hundred other commercial endeavors, incidental to, but complementing, its main business. For such is the complicated nature of the banana trade.

In five Central American countries, Cuba and Jamaica, the United Fruit Co., owns acreage nearly as great as the combined area of Connecticut and Rhode Island; the company operates railway mileage totalling more than the Lehigh Valley and Long Island railroads put together; and its own fleet of 92 cargo and passenger vessels is one of the largest of privately owned American fleets. Indeed the business of supplying half of the bananas in the world is a sizable undertaking, even if one goes no further than to contemplate the company's extensive producing and transportation properties. Yet the United Fruit Co., has found it necessary, and often advantageous, to extend its activities in many other directions, to the ultimate end that more bananas might be produced and sold profitably.

Twenty-five years ago, with the necessity of some means of quick communication between the various offices in the United States and plantation foremen and ship captains becoming increasingly vital, the company created the nucleus of what is to-day the Tropical Radio Telegraph. Some 25 stations provide commercial radio-telephone service between the U. S. and all of countries bordering on the Caribbean, as well as Cuba and Jamaica.

In each center of its operations the company has erected a modern hospital with a competent physician in attendance. Likewise, the company has provided sanitation facilities, schools, power and light, docks and homes. Functioning in the capacity of a retail merchant, the company operates over 200 stores throughout the Central American tropics at which may be purchased food, clothing, medicine, tobacco, tools, hardware. For the benefit of its employees in Central America, the company operates restaurants and bars and in Jamaica two large tourist hotels are owned. Some of these ventures are operated at a profit, others are not, but they are all a definite part of the banana business and the profits and losses are either credited to or absorbed by the net production costs.

In the United States, the company blankets the domestic market with a comprehensive network of sales offices located in every important key city. In addition there are important sales connections in Canada and abroad and passenger and freight offices are maintained at the principal ports at which the company's fleet touches. The company carries practically all of its own insurance, with the exception of that on the new mail ships. Its insurance fund of $10,000,000 is invested in United States Government bonds.

In the conduct of a business of such magnitude, the company must constantly be prepared to cope with all manner of problems—old ones recur and new ones arise—yet with a fair share of good fortune and a greater element of good management it has been able to turn in a very creditable record. Every year since its inception in 1899, has added to the company's scope and prestige and its unbroken dividend record of 35 years reflects not only the high measure of prosperity but the fundamental security of the business itself.

Nor is this fundamental security altered or made unusually precarious by the fact that the raising and selling of a fruit crop is rather unique in the realm of corporate activities. The United Fruit Co. must assume all of the risks of any individual engaged in an agricultural undertaking and has no more control over the unpredictable elements. The company, however, has accomplished much more than the average farmer has, or can, in safeguarding itself.

Tropical storms with their disastrous and costly "blow-overs" are a continual menace. The company, however, has avoided concentration of its producing acreage, making it extremely unlikely that a single storm would completely destroy its crop. As a matter of fact, there have been occasions when tropical storms have turned out to be blessings in disguise, coming as they did at a time when excessive supplies threatened the market. It is to be doubted, however, that the management favors this means of removing surplus stocks. Controlling such a large portion of the total, United Fruit is in a position to exercise considerable restraint in the matter of production but prices, for the most part, are governed by the prices of those fruits with which the banana competes.

The problem of soil exhaustion is another which keeps the company constantly on the move. The soil in Central America may produce healthy bananas anywhere from six to twenty years. After that it may again become a part of the jungle. United Fruit has anticipated this contingency by constantly pushing into new territory and developed new acreage. Tela, one of the company's most important Divisions, cost nearly $16,000,000 to bring into commercial productivity. The management protects these heavy expenditures in two ways.

At an experimental station in Honduras, it is reputed that the company has cultivated every known tropical plant, in the hope that a profitable crop will be found which may be grown on worn out banana land. As a result of these experiments, a small portion of the company's land is being utilized in the production of cacao and coconuts which, however, have not yet achieved commercial importance. Sugar represents the company's most extensive venture in this direction and while sugar has not been a profitable item in recent years, such has not always been the case. Some 95,000 acres of land owned by United Fruit have been turned into pasture land, for included among its livestock are nearly 24,000 cattle and over 14,000 horses and mules.

Courtesy, United Fruit Co.

Loading Bananas in Central America

Secondly, and of greater significance financially, is the company's depreciation policy, calculated to write off each item of property over its estimated useful life. On tropical lands depreciation averages 8%, on buildings and equipment 10% and on steamships 5%. Judged by normal standards these are exceedingly liberal write-offs. Measured in terms which may be fully appreciated by stockholders, depreciation in 1930 totalled $13,835,000, or $4.73 a share; in 1931, $13,256,000 equivalent to $4.53 a share. In addition, in 1930 and 1931, there was charged to surplus $11,175,000 for property written off and $17,000,000 for reserve against shrinkage in the value of sugar and other properties. Ultraconservative though a generous depreciation policy of this sort may be, it became apparent in 1932 at the depths of the depression that it was threatening the company's enviable dividend record. In January, 1932, dividends were cut to $3 from $4 and in July of that year they were again reduced to $2. Obviously drastic action was called for and it was not long in materializing in a series of events which had their genesis in 1930.

Samuel Zemurray, which had acquired a large block of United Fruit stock when his company, the Cuyamel Fruit Co., was absorbed by the former in 1930, assumed active direction of United Fruit in July, 1932. His long experience in the banana business stood him in excellent stead and by the end of that dark year he had succeeded in effecting drastic operating economies and by means of sweeping revaluation of the company's assets, depreciation charges were reduced nearly $5,000,000 from the 1931 figure. Property account was written down $50,945,000, of which amount $9,573,000 was charged against the special reserve and the balance to surplus. This permitted a reduction in depreciation costs equal to $1.63 a share. The extent to which this aided in mitigating the distressing conditions is indicated by the fact that full earnings for the stock in 1932 amounted to $1.95 a share.

By the time the new management marked its first anniversary, there had been a definite turn for the better in the tide of the company's affairs and by the end of 1933 profits had risen to a point where annual dividends of $2 were less than the customary two-thirds. Net income had arisen from $5,707,221 for the previous year to $9,240,942, equal to $3.16 a share for the stock. Current assets had increased $11,500,000, with cash and Government securities alone showing a gain of more than $10,000,000, while current liabilities of $8,967,988 were only about $1,500,000 larger.

The recovery in the company's earning power last year was made particularly noteworthy by the fact that it was accomplished under conditions which in the aggregate were not as favorable as in 1932. Banana shipments totalled 46,381,163 stems as compared with 54,000,000 stems the previous year; the company's fleet carried fewer passengers and less freight; sugar quotas were lower and prices unprofitable; and restrictive quotas and higher tariffs hampered the development of foreign business. Nevertheless, the greater operating efficiency which had been achieved enabled the company to more than offset these adversities. The enhancement in the value of foreign currencies in terms of the dollar also contributed to the improved showing.

This year, however, the company is having the added benefit of increased business and more favorable conditions in practically all of its principal divisions. Last April dividends were augmented by a 50-cent extra and recently the regular rate was increased to $3 annually. In the first six months the stock earned $2.17 a share (before taxes) and for the full year, may equal, if not exceed, the 1930 results of $4.24.

Even sugar, after showing losses for more than six years, promises to contribute a profit this year. The company's sugar producing properties are largely concentrated in Cuba and the recent reduction in the duty on Cuban raw sugar from 1.5 cents to .9 cents should prove highly beneficial. The 1934 quota of United Fruit, after seven successive increases, has been fixed at 1,307,000 bags or nearly 2½ times the original allotment and the Cuban government has

(*Please turn to page 632*)

Readers' Forum

The Readers' Forum is intended exclusively to serve in the discussion of problems of general investment interest. It welcomes free expression of opinion. The services of this department also are available for answering investment questions of general interests excluding inquiries regarding the position or prospects of individual securities.

As Our Readers See It

Corporations Can Help—Liberty League—Will Congressmen Listen?—Valid Protest

Editor, READERS' FORUM:

I have before me a circular—in connection with a proxy—from a leading railroad company—asking an expression of personal views. Here they are: Can nothing more be done to curb the action of President Roosevelt in his attack upon the earnings of railroads and other public utilities?

It has been suggested in several financial journals—THE MAGAZINE OF WALL STREET and others—that the ten million owners of American securities should organize for mutual protection in both legislative and corporate affairs; and an urgent demand for such organization is evident.

I believe action on the part of our large corporations in advising all stock and bond holders—except perhaps the Government — which apparently is striving for government ownership—to register with a national organization, similar to the American Legion with chapters in each state, would bring practical results.

These said corporations would, I believe, act more speedily and more effectively than private individuals could in the establishment of such an organization. Given such incentive by the corporations there would be every inducement for the individual investor to enroll in a movement which is apparently essential for self protection and preservation of the state.—T. PILKINGTON, *Toronto, Ont.*

* * *

Liberty League

Editor, READERS' FORUM:

I have read with much interest in the September 1st number your article "Call to Action".

I am very much interested and wish to aid in every way possible the new Liberty League movement.

It is time for such action. I hope it will not be too late. Any information you can furnish as to where and when they can be reached direct, by letter or personal contact, will be greatly appreciated.—O. C. MILLER, *Waterloo, Iowa.*

The necessarily large task of establishing the administrative machinery of the American Liberty League is now actively in hand. It is our expectation that the details of organization will be announced through the press generally and over the radio within a short time. Meanwhile, anyone anxious to beat the gun may do so by writing or telegraphing the national chairman, Jouett Shouse, Washington, D. C.

* * *

Will Congressmen Listen?

Editor, READERS' FORUM:

The writer has been interested in your efforts to bring about a concerted effort on the part of security holders to protect their individual investments. While I naturally approve any constructive work in this direction, very little of such work proves itself to be direct and effective along these lines.

The writer's own experience has proven that lobbies and other political work fails, in the main, because it is neither strong enough nor direct. Results can only be accomplished in one way.

Every corporation, anxious to achieve results, must segregate their security holders into States, communicate with them directly and give them specific instructions and the name and address of their Congressman, insisting or urging the security holder to write direct immediately for or against the legislation.

You can readily picture the situation when every Congressman from every state receives such letters from his own local and state constituents. No destructive legislation will be passed when every Congressman has received such direct protest. Very few companies are direct, concise and implicit in their letters to security holders and unless they are their appeals are of no value.—ROBERT E. KRAMER, *Davenport, Iowa.*

* * *

Valid Protest

Editor, READERS' FORUM:

The proposal of the New York State Economic Council to "disenfranchise" the 7,000,000 voters on relief, as reported and favorably commented upon editorially in your issue of August 18th is about as un-American and as stupid a proposal as I have seen in some time. It is un-American, because it is directly opposed to all principles of representative government. It is stupid, because it appears to arise from the misconception that the majority of those on relief prefer this status to that of employment. Almost everyone knows this is not true. It is also stupid because of its inevitable consequences. For an economic system to deprive 7,000,000 of its members of their means of livelihood and then to attempt to deprive them of their only peaceful means of protest, namely the ballot, is to court its overthrow by force.—V. R. RUPP, *Indianapolis, Ind.*

Taking the Pulse of Business

—Steel Operations Improve

—Metal Sales Light

—Gasoline Stocks Decline

—Motor Production Lower

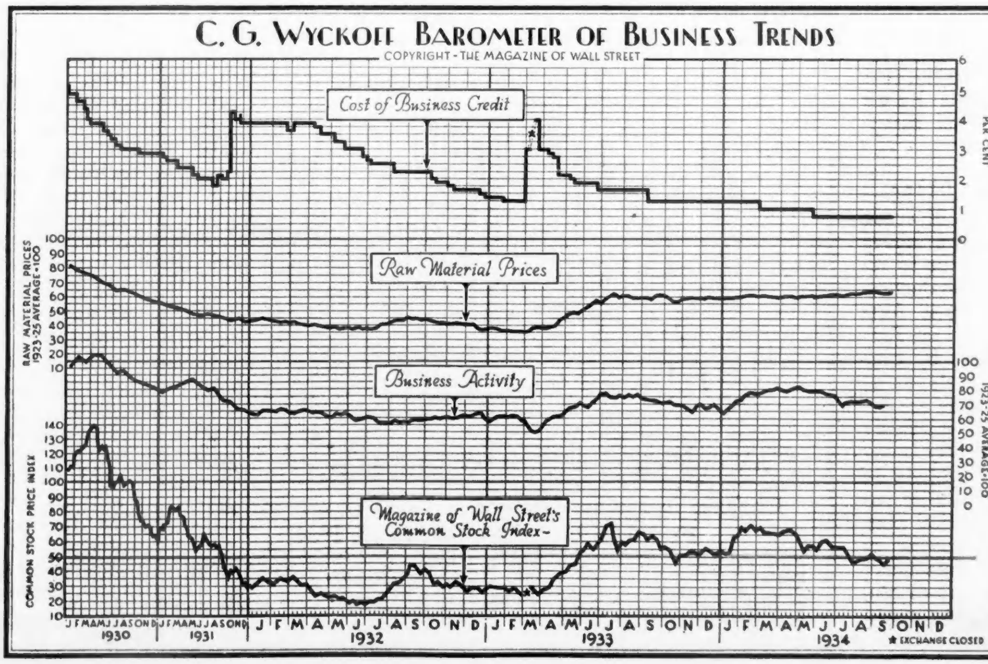
—Higher Tobacco Costs

A BROAD survey of the current business situation and prospects suggests strongly that, owing chiefly to almost complete stagnation in that section of the capital goods industry which is financed by private savings and bank credit, many of the standard business indexes are conveying at the present time a much gloomier picture of fundamental conditions than is warranted by the full facts. Too much stress is being laid upon labor disturbances, weakness in Government bonds, Federal supervision over the issuance and trading in securities, and the pre-holiday slump in such things as steel, lumber and automobiles; while neglecting to note the better-than seasonal rise in coal output, car loadings, wholesale prices, retail sales and commercial credit. In view of the unquestionable fact that the country's supply of credit, its purchasing power and actual sales are running ahead of production, it seems to be practically self evident that a better than seasonal improvement in business activity must soon set in. In fact several of the well known indexes show that improvement has already begun.

Our Business Activity index, after receding about four points from the recovery high of 72.5%, has again turned upward. Steel operations have shown a gain for two successive weeks since Labor Day. Our Common Stock Index, after reacting to a point fractionally under the July low, has steadied without penetrating the low of last October. Raw Material prices are less than a point below the highest level reached on the recovery. Wholesale prices are mounting rapidly, though a slight reaction is noticed in retail prices. The Cost of Business Credit still remains at the record low level and, in consequence, high grade corporate bonds have reacted less than Governments. The only real weakness in the bond market has been in second grade rails, which are faced with the necessity of scaling down fixed charges drastically unless saved from such adjustments by a substantial rise in freight tonnage. In the long run a recapitalization of weaker roads, though perhaps freezing the losses already sustained by investors in the junior securities, would be salutary to the country's business as a whole.

That purchasing power and sales are larger than production is evidenced by recent reports which show that, while production is considerably lower than last year, factory employment and payrolls in August were well above last August and even better than in July. Retail sales, in dollar values, show a 2% gain over last August for department stores and, after allowing for seasonal variations, were the best since April of 1932. Chain store sales in August were 9% ahead of last year. Business failures during the week ended September 8 were the lowest since 1920. Extensive rains throughout the Middle West have revived pastures and created a much more cheerful feeling among the farmers, so that urban sales have spurted sharply during the past fortnight.

In the financial field conditions are improving despite the shadow cast by softness in Government issues. New financing by private business during the month of August was



about four times heavier than in August of 1933, while the volume of commercial paper outstanding at the end of the month was the largest since October of 1931. The weakness in Government bond prices seems to be caused by sales on the part of reporting member banks, which have reduced their holdings by 100 millions since July 18. Meanwhile, however, commercial loans and other investments have expanded by close to 500 millions, which is a most encouraging development; since it indicates that industry is at last beginning to stand on its own feet and that the need for Government pump priming is gradually diminishing.

The Trend of Major Industries

STEEL—Operations at the country's steel mills have increased for two consecutive weeks since Labor Day and, at present writing, average about 22.5% of capacity, or four points better than the lowest rate reached on the recession. Stocks of tubular goods in jobbers' hands were exhausted early in August, and supplies of sheets, bars and strips are believed to be greatly depleted; so that rising orders for miscellaneous steel should improve from now on until the seasonal peak in November. Automobile manufacturers, in most instances, will not begin to turn out new models until sometime in November; but steel must be ordered for enough cars to stock dealers and this would suffice to raise the steel operating rate by seven or eight points for a month. Within the next few weeks several large construction projects are coming to a head, and toward the year-end moderate orders for equipment and maintenance steel will be placed by the railrods. Thus, while a high rate of operations is not looked for this year, steady improvement may be expected during the next two months.

METALS—In consequence of diminishing purchases of silver abroad by the Government and ample offerings from China the domestic price has dropped fractionally since our last issue to around 49¼ cents. Blue Eagle copper remains pegged at 9 cents, but the c. i. f. price at European ports has shaded to 6.85 cents. Lead is unchanged at 3¾ cents, zinc has shaded to 4 cents, while tin is a trifle firmer at 51⅜ cents, in response to a well sustained demand for tin containers. Sales in all the non-ferrous markets remain light, pending greater activity in the heavy goods industries, and third quarter profits have proved rather disappointing.

PETROLEUM—While stocks of crude oil in storage above ground continue to recede slowly, production during the past fortnight exceeded the Federal allowable by over 100,000 barrels daily. Gasoline stocks are being reduced seasonally and are slightly lower than a year ago; yet, in face of a gradually improving statistical position, price cutting in gasoline in consequence of utter failure to control bootlegging operations continue to eat into the profits of refiners. Secretary Ickes hopes to get more stringent enforcement laws through Congress next year as a means of conserving this valuable natural resource, which he estimates will be exhausted in 15 years at the present rate of withdrawal. There is, however, a growing opposition to further government meddling in the industry, although it has produced improvement.

AUTOMOBILES—August motor car production is estimated at about 240,000, or slightly more than the 238,000 turned out in August, 1933. Schedules of the present month call for around 175,000 cars, which would be 23,000 less than were produced in September, 1933. Retail sales of new cars during the first nine months will probably thus come to around 2,487,000 units, compared with only 1,700,-00 for the corresponding period last year. With extensive shut-downs for remodeling planned in October, that month will probably witness the lowest output of the year. By mid-November, however, production is expected to be on the upgrade again; so that the 4th quarter may result in an output somewhat higher than during the last quarter of 1933.

CIGARETTES—After declining for four successive years, the average cost of tobacco filler per thousand cigarettes turned upward last year, and is still mounting. Though the larger manufacturers average their tobacco costs over a three-year period, owing to the large inventories which ample working capital permits them to carry, it is estimated that the book cost of tobacco has been increased by about 12½ cents a thousand on account of this year's sharp rise in prices paid for the leaf. With the former net profit of 40 cents per thousand, this apparently indicates a drop of 30% in earnings, unless the wholesale price is advanced. The 10-cent package makers will probably operate for the most part at a loss.

Conclusion

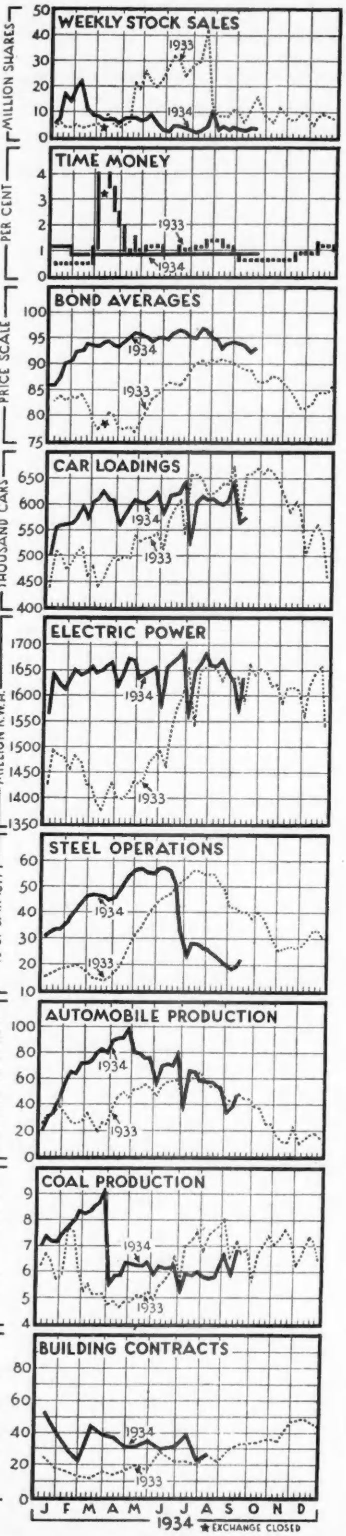
Present indications, together with a broad survey of underlying conditions, suggest the hopeful possibility that the reaction in business activity and in security prices has ended and that a somewhat more than seasonal improvement has already begun to put in an appearance. It could scarcely be otherwise in view of the well sustained incomes of labor and agriculture, and the receding stocks of goods on hand. The fact that commercial bank credit, in the form of loans and investments, is now expanding much faster than the contraction in bank holdings of Government securities points to the belief that private business is entering upon a period of self financing which will gradually relieve the Government of the necessity for expending huge sums in undesirable pump priming efforts, disappointing in results.

Changes in Major Commodity Price Group for the Fortnight Ended September 15, 1934

Farm Products	up	0.2	Metals	no change	
Foods	down	0.4	Building materials	down	0.4
Hides and leather	up	0.3	Chemicals	up	0.2
Textiles	down	0.7	Housefurnishings	up	0.1
Fuel and lighting	up	0.4	Miscellaneous	up	0.4

The Magazine of Wall Street's Indicators

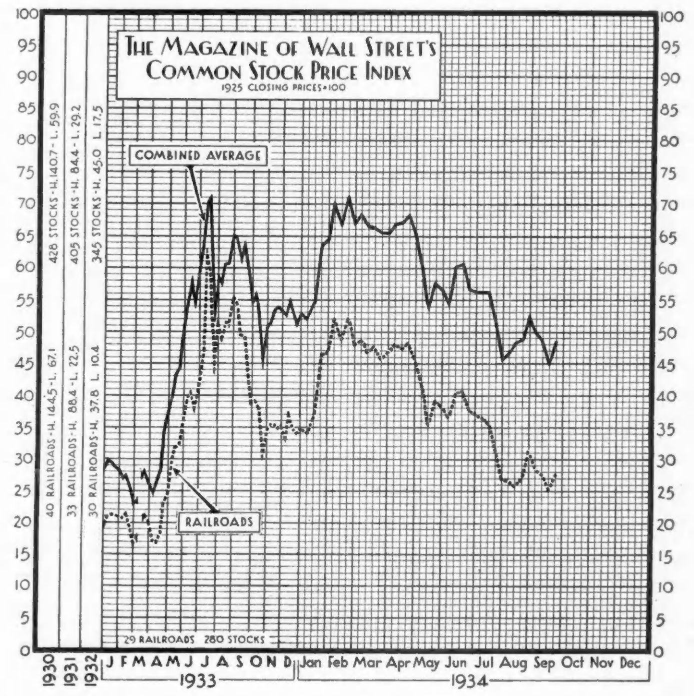
Business Indexes



Common Stock Price Index

1933 Indexes High	1933 Indexes Low	1933 Indexes Close	Number of Issues	COMBINED AVERAGE (1925 Close—100)	1934 Indexes High	1934 Indexes Low	Sept. 8	Sept. 15	Sept. 22
71.3	22.7	52.9	312		71.2	45.0	48.4	45.0x	48.5
116.0	26.8	68.6	5	Agricultural Implements	105.7	44.2	46.2	44.2x	50.5
37.8	7.3	27.1	5	Amusements	42.3	20.2	23.2	21.6	24.7
50.9	12.4	41.3	14	Automobile Accessories	58.9	35.2	39.4	36.5	39.4
22.7	7.3	18.0	13	Automobiles	24.9	11.8	12.6	11.8	12.5
102.9	41.8	61.6	5	Aviation (1927 Cl.—100)	92.5	43.6	47.2	43.6x	46.1
26.5	5.1	12.2	4	Baking (1926 Cl.—100)	17.4	8.7	9.9	8.7x	9.5
157.5	79.9	145.6	2	Biscuit	150.0	111.6	118.8	111.6x	112.1
357.1	86.8	207.0	3	Bot. & Cks. ('32 Cl.—100)	240.9	153.6	166.5	153.6x	162.5
128.8	39.8	107.6	5	Business Machines	136.0	100.0	103.4	100.0x	105.9
191.1	92.9	189.1	2	Cans	204.3	178.9	184.2	189.4	197.1
238.2	71.5	193.6	8	Chemicals	210.5	134.3	143.6	134.3x	143.3
34.8	11.3	28.0	16	Construction	37.2	22.1	24.1	22.1	24.6
81.0	20.3	54.9	6	Copper	70.1	42.5	46.6	42.5x	45.5
47.7	23.0	25.7	2	Dairy Products	37.0	25.7	33.2	31.4	32.7
27.3	6.6	19.6	8	Department Stores	26.8	16.4	17.9	16.4x	18.4
89.0	45.3	57.0	9	Drugs & Toilet Articles	84.2	56.0	61.1	56.0x	60.3
104.0	35.6	75.4	4	Electric Apparatus	91.3	59.1	62.5	59.1x	61.7
104.6	33.2	103.8	2	Finance Companies	178.3	103.8	152.4	142.6	154.6
75.2	32.6	52.0	5	Food Brands	64.0	51.1	60.3	57.6	58.2
77.5	40.5	58.6	4	Food Stores	71.1	53.7	58.4	53.7x	57.4
1365.0	481.2	1180.8	3	Gold Mining	1372.0	1115.0	1249.0	1189.0	1274.0
30.3	10.5	26.0	5	Household Equipment	35.1	25.1	27.0	25.9	27.7
38.0	14.5	23.1	6	Investment Trusts	31.8	19.3	20.8	19.5	20.6
360.0	85.0	244.6	2	Liquor (1932 Cl.—100)	295.5	164.0	180.3	171.2	186.5
47.4	13.5	39.4	2	Mail Order	53.4	34.2	37.6	36.2	40.3
120.3	21.9	57.2	3	Meat Packing	88.6	51.9	67.0	60.3	67.7
136.4	30.1	132.6	11	Metal Mining & Smelting	160.1	118.3	127.5	118.3x	128.0
83.4	29.3	66.0	25	Petroleum	86.8	52.8	57.0	52.8x	56.7
30.2	6.7	15.3	3	Phonos. & Radio (1927-100)	25.0	15.2	16.1	16.1	17.4
104.0	40.8	49.0	20	Public Utilities	72.8	37.8	42.1	37.8y	41.9
69.4	17.7	53.4	8	Railroad Equipment	66.2	34.3	37.8	34.3x	38.1
63.0	16.3	34.5	30	Railroads	52.0	25.2	27.6	25.2x	27.6
44.3	6.2	30.0	3	Shipbuilding	50.2	28.9	32.2	28.9x	31.6
148.6	57.8	126.7	2	Soft Drinks (1926 Cl.—100)	150.3	114.0	127.2	118.5	123.0
69.1	19.1	51.8	11	Steel & Iron	77.0	42.0	46.2	42.0x	44.7
29.5	7.3	21.3	5	Sugar	31.3	20.5	27.3	25.3	26.5
216.5	79.3	200.8	2	Sulphur	214.0	141.7	152.7	144.0	143.5
82.3	28.1	61.4	3	Telephone & Telegraph	70.3	44.0	46.3	44.0x	46.9
82.2	22.5	49.1	8	Textiles	65.8	37.5	40.7	37.5x	40.0
15.1	3.0	11.0	5	Tires & Rubber	14.6	7.6	8.6	7.7	8.3
90.2	46.2	69.4	4	Tobacco	79.4	66.5	77.4	75.6	73.7
57.2	22.3	57.2	3	Traction	73.0	43.3	73.0H	70.8	71.4
52.9	23.3	43.6	3	Variety Stores	143.0	43.6	126.4	121.7	143.0H

x—New LOW this year. y—New LOW since 1932. H—New HIGH record since 1931.



(An unweighted index of weekly closing prices; compensated by stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

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SHARP & DOHME, INC.

Please give me your views on the speculative and investment possibilities for Sharp & Dohme common. Do you think it can again approach its 1929-1930 prices? Would you continue to hold 150 shares averaging 9½?—T. L. L., Philadelphia, Pa.

Sharp & Dohme, Inc., is a long established manufacturer of pharmaceutical products. A number of the products are used largely by physicians and in hospitals and are not advertised. The company has broadened its scope in recent years by entering the antiseptic and toothpaste fields, offering directly to the public these products under the trade-name "ST 37." These products have been advertised widely but meet with keen competition from existing similar products. The report of the company for the quarter ended June 30, 1934, showed net profit equivalent to roughly one cent per share of common stock, compared with 15 cents a share in the preceding quarter and 65 cents a share in the second three months of 1933. All dividend accumulations on the company's $3.50 perferred stock have been paid off, but the common stock obviously is far removed from a dividend basis. The drop in earnings during the second quarter of the current year reflects increased costs of operations. The price at which the stock sold five years ago obviously offers no basis for estimating the future trend of the issue. On the other hand, it would seem a logical expectation that as purchasing power of the consumer expands there should also be a pick-up in Sharp & Dohme's earnings. Since the trend of business is believed upward, therefore, we favor retention of your holdings, at current deflated levels.

TIDEWATER ASSOCIATED OIL CO.

What do you think of the early prospects for Tidewater Associated Oil? I sold my 100 shares near the high for this year at 5¼ points profit. Now, I am wondering if this would be a good time to buy another 100 shares, or whether you think it might pay to wait?—E. J. N., Evanston, Ill.

Tidewater Associated Oil Co., through subsidiaries, is engaged in all divisions of the petroleum industry. Its competitive position during recent years has been greatly strengthened by adding to crude oil reserves and co-ordinating marketing and refining activities. Expansion in the marketing division has been conservative and has not necessitated large preferred stock and bond flotations for its accomplishment. Thus, the concern's showing throughout the depression has been much better than that of many of its competitors. A loss was sustained in only one year, 1931, and that was a year of almost demoralized conditions in the industry. As a result of higher crude oil and gasoline prices, the company reported for 1933 earnings equivalent to 61 cents a share on the common stock, against 13 cents a share in 1932. The most recent report, or that for the six months ended June 30, 1934, reveals net income of $2,678,385, equivalent, after allowing for dividend requirements on the 6% preferred stock, to 14 cents a common share. This was a marked improvement over the net of $174,355, or 26 cents a share on the 6% preferred stock, in the first half of 1933. Despite the fact that substantial amounts of preferred stock and funded debt have been retired since 1929, financial condition of the organization is featured by extreme liquidity. As of June 30, last, total current assets amounted to $52,544,752, including cash and marketable securities alone of $14,165,296, and current liabilities were only $9,518,225. Unpaid accumulated dividends on the preferred stock amounted to only $3 a share as of July 1, last, and indications are that all arrearages will soon be paid off and the way cleared for distributions on the common, should earnings justify such action. Considering the marked progress which the management has made in co-ordinating facilities and reducing fixed charges, we feel that the common stock is attractive around current levels, despite the uncertainties still existing in the industry.

GLIDDEN CO.

I was interested in reading your analysis of Glidden Co. last March. I now have some additional funds to invest and wonder if you still favor this stock. I will appreciate your comments.—A. S. G., St. Paul, Minn.

Originally engaged exclusively in the paint manufacturing business, Glidden Co., during recent years, has diversi-

(*Please turn to page 625*)

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Dividends & Interest

New York Stock Exchange

Rails

	1932		1933		1934		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	9/19/34	Share
Atchison	94	17⅞	80½	34⅝	73¾	45¼	48½	†2
Atlantic Coast Line	44	9¾	59	16½	54¼	24½	27⅝	..
B								
Baltimore & Ohio	21⅜	3¾	37⅞	8¼	34½	13¼	14¾	..
Brooklyn-Manhattan Transit	50¼	11⅛	41¼	21¾	44⅞	28¼	42¼	†.75
C								
Canadian Pacific	20⅝	7¼	20⅞	7½	18¼	11⅞	13¾	..
Chesapeake & Ohio	31½	9¾	49¼	24⅝	48⅝	39½	42	2.80
C. M. & St. Paul & Pacific	4½	¾	11¾	1	8½	2½	2⅞	..
Chicago & Northwestern	14½	2	16	1¼	15	4½	6⅜	..
Chicago, Rock Is. & Pacific	16⅜	1½	10⅛	2	6¼	2	2¼	..
D								
Delaware & Hudson	92½	32	93¾	37⅝	73½	35	37½	..
Delaware, Lack. & Western	45⅞	8½	46	17¼	33¾	14	16½	..
E								
Erie R. R	11¾	2	25¾	3¾	24⅞	9⅜	10¾	..
G								
Great Northern Pfd	25	5½	33¾	4⅝	32½	12¼	14⅜	..
H								
Hudson & Manhattan	30¾	8	19	6½	12⅛	4⅞	5½	..
I								
Illinois Central	24⅞	4¾	50¾	8½	38⅞	13⅝	15½	..
Interborough Rapid Transit	14⅝	2¼	13¾	4⅛	15⅞	5½	14⅞	..
K								
Kansas City Southern	15¼	2¼	24⅞	6½	19⅜	6⅝	7	..
L								
Lehigh Valley	29¼	5	27¾	8⅝	21¼	9½	10½	..
Louisville & Nashville	38¼	7½	67½	21¼	62½	37¾	40	†3
M								
Mo., Kansas & Texas	13	1¼	17⅛	5¾	14⅞	4⅜	5¾	..
Missouri Pacific	11	1½	10¼	1⅛	6	2	2⅞	..
N								
New York Central	36⅝	8¾	58½	14	45¼	18⅜	20⅞	..
N. Y., Chic. & St. Louis	9¾	1½	27⅝	2⅛	26⅞	9	11½	..
N. Y., N. H. & Hartford	31⅝	6	34⅞	11⅛	24⅛	9	9⅞	..
Northern Pacific	25⅜	5½	34⅞	9⅝	36¼	14½	17¼	..
P								
Pennsylvania	23⅜	6½	42¼	13¾	39⅛	20⅛	21⅝	†1
Pere Marquette	18	1¾	37	3⅞	38	12	14¼	..
R								
Reading	52¼	9½	62½	23½	56⅜	35⅛	37½	2
S								
St. Louis-San Fran	6⅝	⅝	9	⅞	4⅝	1½	1¾	..
St. Louis Southwestern	13⅞	3	22	5¼	20	8	13½	..
Southern Pacific	37⅝	6½	38¾	11⅛	33⅜	14⅞	17½	..
Southern Railway	18½	2½	36	4⅛	36½	11½	15¾	..
T								
Texas & Pacific	35	13	43	15	43¼	13½	16	..
U								
Union Pacific	94½	27⅝	132	61¼	133⅞	90	99	6
W								
Western Maryland	11⅜	1½	16	4	17¼	7⅛	8½	..

Industrials and Miscellaneous

	1932		1933		1934		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	9/19/34	Share
Adams Express	9½	1⅝	13¼	3	11⅞	6	7¼	..
Air Reduction, Inc	63½	30⅞	112	47½	106¼	91¾	100	*4½
Alaska Juneau	16⅝	7¾	33	11⅛	23⅞	16⅝	17⅜	*1.05
Alleghany Corp	3⅝	⅜	8¼	⅞	5¼	1½	1¾	..
Allied Chemical & Dye	88¼	42½	152	70¾	160¾	115⅛	120¾	6
Allis Chalmers Mfg	15⅜	4	26¾	6	23⅜	10⅜	11⅝	..
Amer. Brake Shoe & Fdy	17⅞	6½	42½	9⅛	38	19½	20⅞	.80
American Can	73⅞	29⅝	100½	49½	107¾	90¼	97¼	4
Amer. Car & Fdy	17	3⅛	39¾	6⅛	33⅞	12	15½	..
Amer. Com'l Alcohol	27	11	89⅞	13	62½	20¾	25½	..
American & Foreign Power	15	2	19⅝	3⅞	14¾	4½	6	..
Amer. International Corp	12	2½	15⅛	4¼	11	4¾	6¾	..
Amer. Mach. & Fdry	22¼	7½	22⅜	8¾	19¾	12⅜	14	.80
Amer. Power & Light	17¼	3	19⅞	4	12¼	3¾	4½	..
Amer. Radiator & S. S	12¼	3⅛	19	4⅝	17⅝	10	13	..
Amer. Rolling Mill	18½	3	31⅞	5¾	28¼	13½	16¼	..
Amer. Smelting & Refining	37¼	5⅛	53½	10¾	51¼	30¼	34	..
Amer. Steel Foundries	15⅛	3	27	4⅝	26½	10⅛	12⅛	..
Amer. Sugar Refining	39¼	13	74	21½	72	46	63	2
Amer. Tel. & Tel	137⅜	70¼	134¾	86½	125¼	105¾	111¼	9
Amer. Tobacco Com	86¾	40½	90½	49	82⅜	65¼	73½	5
Amer. Tob. B	89¾	44	94¾	50¾	84½	67	74¾	5
Amer. Water Works & Elec	34½	11	43¼	10⅞	27⅝	14¼	15⅛	1
Amer. Woolen	10	1⅝	17	3½	17⅛	7	8⅜	..
do Pfd	39⅞	15½	67½	22⅝	83¾	36	37¾	†2½
Anaconda Copper Mining	19⅜	3	22⅞	5	17¾	10	11¼	..
Atlantic Refining	21⅞	8⅝	32½	12⅜	35¼	21½	23⅞	1
Auburn Auto	151¾	28¾	84¼	31	57⅜	16½	23¾	..
Aviation Corp. Del	8⅞	1½	16⅜	5½	10¾	3¾	4	..
B								
Baldwin Loco. Works	12	2	17⅝	3½	16	6½	7½	..
Barnsdall Corp	7	3⅜	11	3	10	6	6¼	..
Beatrice Creamery	43½	10½	27	7	19¾	10¼	17⅞	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 9/19/34	Div'd $ Per Share
B								
Bendix Aviation	18¾	4½	21¼	6⅛	23⅞	9¾	12	..
Best & Co	24⅞	5¾	33⅛	9	34¼	26	29½	1½
Bethlehem Steel Corp	29⅝	7¼	49¼	10⅛	49½	25¼	27⅞	..
Bohn Aluminum	22¼	4⅞	58½	9½	68¾	44½	47	3
Borden Company	43⅛	20	37⅜	18	28¼	19⅞	24⅛	1.60
Borg Warner	14¼	3⅜	22¼	5½	28⅝	16⅛	20	1
Briggs Mfg	11¾	2⅞	14⅝	2⅝	19⅜	12	16	1
Burroughs Adding Machine	13¼	6¼	20⅞	6⅛	19⅜	10½	12¼	.40
Byers & Co. (A. M.)	24⅝	7	43¼	8½	32¾	13¾	15⅝	..
C								
Canada Dry Ginger Ale	15	6	41¼	7½	29½	12½	14⅛	1
Case, J. L	65¾	16¾	103½	30½	86¾	35	40¼	..
Caterpillar Tractor	15	4⅜	29¾	5½	33⅜	23	24¼	1
Celanese Corp	12⅝	1¼	58⅞	4½	44⅞	17⅛	20½	..
Cerro de Pasco Copper	15½	3½	44¾	5⅞	43½	30¼	37¼	†1
Chesapeake Corp	20¾	4⅞	52½	14⅞	48⅞	34	35⅜	2½
Chrysler Corp	21¾	5	57⅝	7¾	60⅜	29¼	31⅞	*1¼
Colgate-Palmolive-Peet	31½	10¼	22⅜	7	18⅛	9⅜	14⅛	.50
Columbian Carbon	41⅞	13½	71¼	23⅛	77¼	58	64	3.40
Colum. Gas & Elec	21	4¼	28⅛	9	19¼	6⅞	8	..
Commercial Credit	11	3⅞	19¼	4	35⅛	18⅝	26¼	1
Comm. Inv. Trust	27⅞	10⅞	43½	18	61	35¾	56¼	2
Commercial Solvents	13¾	3½	57¼	9	36¾	15¾	19¼	.60
Commonwealth & Southern	5⅛	1⅝	6⅛	1¼	3¾	1½	1½	..
Congoleum-Nairn	12¼	6½	27⅝	7⅜	31¼	22	27⅝	1.60
Consolidated Gas of N. Y	68¾	31½	64⅛	34	47⅜	25	26½	2
Consol. Oil	9	4	15¾	5	14¼	7¼	8⅜	.42
Continental Baking Cl. A	8	2⅞	18¼	3	14⅝	5¼	5¾	..
Continental Can, Inc	41	17⅝	78⅜	35¼	83¼	69½	80¾	3
Continental Insurance	25¼	6¾	36½	10½	35½	23⅜	27½	1.20
Continental Oil	9⅜	3⅝	19⅝	4⅞	22¾	15¾	18⅛	†.50
Corn Products Refining	55⅜	24¾	90⅝	45⅜	84½	55½	60	3
Cudahy Packing	35½	20	59½	20¾	52⅝	37	47½	2½
Curtis Wright, Common	3¼	⅞	4⅜	1½	5½	2½	2½	..
D								
Diamond Match	19⅛	12	29½	17½	28½	21	21½	1
Dome Mines	12⅞	7½	39½	12	46¼	32	43⅝	*3½
Dominion Stores	18½	11¼	26⅜	10½	23	14½	16	1.20
Douglas Aircraft	18⅝	5	18¼	10¼	28½	14¼	15	..
Du Pont de Nemours	59¾	22	96⅜	32⅛	103⅞	80	86¾	*3.10
E								
Eastman Kodak Co	87⅞	35¼	89¾	46	101⅝	79	94½	4
Electric Auto Lite	32¾	8½	27½	10	31⅜	15	21¾	..
Elec. Power & Light	16	2¾	15⅜	3⅛	9⅝	3½	4	..
Electric Storage Battery	33¼	12⅝	54	21	52	35	35	2
Endicott-Johnson Corp	37¼	16	62⅞	26	63	45	48½	3
F								
Firestone Tire & Rubber	18⅞	10½	31½	9⅛	25¼	13½	14½	.40
First National Stores	54½	35	70¾	43	69¼	54¼	61¾	2½
Fox Film, Cl. A	5⅞	1	19	12	17½	8¼	11¾	..
Freeport Texas Co	28⅝	10	49⅜	16⅛	50⅜	24	24½	2
G								
General Amer. Transpt	35¾	9½	43¼	13¾	43⅝	30	32½	1
General Asphalt	15½	4¾	27	4⅝	23½	12	15¼	..
General Baking	19⅝	10½	20⅞	10½	14⅜	7⅜	7⅜	†.50
General Electric	26⅛	8½	30¼	10½	25¼	16⅞	18⅛	.60
General Foods	40½	19⅝	39⅞	21	36⅞	28	29	1.80
General Mills	48½	28	71	35½	64½	52	53	3
General Motors Corp	24⅝	7⅝	35¾	10	42	24⅝	28¼	*1½
General Railway Signal	28⅝	6⅛	49½	13¼	45¾	23½	24½	1
General Refractories	15⅜	1¾	19¾	2½	19½	10	12	..
Gillette Safety Razor	24¼	10⅜	20¼	7⅝	13¼	8½	11¼	1
Glidden Co	10⅜	3⅛	20	3¾	28⅜	15⅝	22¼	*1.15
Gold Dust Corp	20⅝	8¼	27⅜	12	23	16¾	17⅛	1.20
Goodrich Co. (B. F.)	12⅜	2¼	21½	3	18	8	9⅜	..
Goodyear Tire & Rubber	29¾	5½	47½	9¼	41⅜	18½	21	..
Great Western Sugar	12	3¼	41⅞	7	35¼	25	28	2.40
H								
Houston Oil of Texas (New)	5⅜	1⅝	7⅜	1⅞	5⅝	2½	3	..
Hudson Motor Car	11¾	2⅞	16⅜	3	24½	6⅛	7⅝	..
Hupp Motor Car	5⅜	1½	7¾	1⅝	7¼	1⅞	2⅜	..
I								
Ingersoll-Rand	44⅞	14¾	78	19⅛	73¾	50	51	2
Inter. Business Machines	117	52½	153¼	75¾	149¼	131	139½	6
Inter. Cement	18¾	3⅝	40	6⅛	37⅜	18⅜	19	..
Inter. Harvester	34⅛	10⅜	46	13⅝	46⅞	23¼	27½	.60
Inter. Nickel	12½	3½	23¼	6¾	29¼	21	24⅞	†.35
International Shoe	44⅜	20¼	56⅜	24⅜	50⅜	38	38	2
Inter. Tel. & Tel	15¾	2⅝	21¾	5⅛	17¾	7½	9¼	..
J								
Johns-Manville	33⅜	10	63½	12¼	66⅜	39	43¼	..
K								
Kelvinator	10⅜	2¾	15⅝	3⅛	21¼	11⅝	12⅝	.50
Kennecott Copper	19¼	4⅞	26	7⅜	23⅛	16	18¾	†.30
Kresge (S. S.)	19	6⅝	16⅞	5½	22¾	13⅜	17¼	.80
Kroger Grocery & Baking	18⅞	10	35⅝	14½	33⅝	23¼	26½	1.60
L								
Lambert Co	56¾	25	41⅛	19⅜	31⅜	22¼	23	3
Lehman Corp	51⅞	30½	79⅜	37½	78	64¼	69	2.40
Libbey-Owens-Ford	9⅜	3¾	37⅜	4¾	43⅞	25¼	27¼	1.20
Liggett & Myers Tob. B	67¼	34⅛	99⅜	49¼	99	74½	95	*5
Liquid Carbonic	22	9	50	10¼	35⅜	16⅛	2[illegible]	*1¼
Loew's, Inc	37¾	13¼	36½	8½	35⅛	20⅜	26⅞	1
Loose-Wiles Biscuit	36⅜	16½	44¾	19¼	44¾	36¼	36¼	2
Lorillard	18⅜	9	25¼	10⅜	19½	15¾	16¾	1.20
M								
Mack Truck, Inc	28¾	10	46⅜	13½	41¾	22	23½	1
Macy (R. H.)	60½	17	65¾	24¼	62⅛	35¼	36	2
Marine Midland	14⅜	6½	11½	5	9	5½	5¾	.40

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	9/19/34	Share
M								
Mathieson Alkali	20 7/8	9	46 5/8	14	40 3/4	23 1/2	25 3/8	1 1/2
McIntyre Porc. M.	21 5/8	13	48 3/8	18	50 1/2	38 1/2	46 3/4	2
McKeesport Tin Plate	62 1/4	28	95 3/4	44 1/8	94 1/4	79	86 1/2	4
Mont. Ward & Co	16 1/2	3 1/2	28 7/8	8 5/8	35 5/8	20	24 1/2	..
N								
Nash Motor Co	19 3/4	8	27	11 1/8	32 1/4	12 5/8	13 1/2	1
National Biscuit	46 7/8	20 1/4	60 5/8	31 1/2	49 1/2	29 1/2	30	2
National Cash Register A	18 3/4	6 1/4	23 5/8	5 1/8	23 5/8	12	12 3/4	.50
National Dairy Prod	31 3/8	14 3/8	25 3/4	10 1/2	18 3/4	13	16	1.20
National Distillers	27 1/4	13	35 1/4	20 7/8	31 5/8	16	19 1/4	..
National Power & Light	20 3/8	6 5/8	20 1/2	6 7/8	15 1/2	6 7/8	7 1/2	.80
National Steel	33 7/8	13 1/2	55 1/8	15	58 1/4	34 7/8	35	1
North Amer. Aviation	6 5/8	1 1/4	9	4	8 3/4	2 5/8	3 1/4	..
North American Co	43 1/4	13 3/4	36 1/2	12 1/2	25 1/4	11 3/4	12 7/8	.50
O								
Ohio Oil	11	5	17 5/8	4 3/4	15 7/8	8 1/2	10 3/8	†.30
Otis Elevator	22 1/2	9	25 1/4	10 1/8	19 3/8	13 3/8	14	.60
Otis Steel	9 1/4	1 1/4	9 1/4	1/2	8	3 5/8	4 1/4	..
Owens Ill. Glass	42 1/4	12	96 3/4	31 1/2	94	60	62 1/2	3
P								
Pacific Gas & Electric	37	16 7/8	31 7/8	15	23 1/2	13 7/8	14 1/8	1 1/2
Pacific Lighting	47 1/2	20 3/4	43 3/8	22	37	20 3/4	21 3/4	3
Packard Motor Car	5 1/4	1 1/2	6 7/8	1 3/4	6 5/8	2 3/4	3 1/2	..
Paramount Publix	11 1/2	1 1/2	2 1/2	1/8	5 7/8	1 3/4	4 1/4	..
Penney (J. C.)	34 1/2	13	56	19 1/4	67 7/8	51 1/2	56 3/4	*2.20
Peoples Gas—Chicago	121	39	78	25	43 7/8	22	22 1/2	..
Phelps Dodge Corp	11 5/8	3 7/8	18 7/8	4 1/2	18 7/8	13 1/4	14 3/8	†.50
Phillips Petroleum	8 1/8	2	18 3/4	4 3/4	20 3/8	14 1/2	15 5/8	1
Practer & Gamble	42 3/4	19 7/8	47 1/2	19 5/8	41 1/4	33 1/8	37 1/8	1 1/2
Public Service of N. J	60	28	57 1/8	32 5/8	45	29 1/2	30 1/4	2.80
Pullman, Inc	28	10 1/2	58 1/8	18	59 3/8	35 3/8	37 1/2	3
Pure Oil	6 1/2	2 7/8	15 3/8	2 1/2	14 7/8	7	7 1/4	..
Purity Bakeries	15 7/8	4 3/8	25 3/8	5 7/8	19 3/4	9 1/8	9 1/2	1
R								
Radio Corp. of America	13 1/2	2 1/2	12 1/4	3	9 1/8	4 1/2	5 3/8	..
Radio-Keith-Orpheum	7 3/4	1 1/2	5 3/4	1	4 1/4	1 1/2	2 1/8	..
Remington Rand	7 1/2	1	11 1/4	2 1/2	13 3/8	6	7 1/2	..
Republic Steel	13 7/8	1 7/8	23	4	25 3/4	10 1/2	12 1/2	..
Reynolds (R. J.) Tob. Cl. B	40 1/4	26 1/2	54 1/4	26 1/2	47 1/2	39 3/4	45 7/8	3
Royal Dutch	23 3/4	12 1/8	39 3/4	17 5/8	39 1/8	32 1/4	34 3/8	†1.35
S								
Safeway Stores	59 1/4	30 1/8	62 3/8	28	57	44	45	3
Sears, Roebuck & Co	37 3/4	9 7/8	47	12 1/2	51 1/4	31	36 1/2	..
Seaboard Oil—Del	20 3/8	6 5/8	43 3/8	15	38 3/8	21 1/2	23 1/2	*90
Servel, Inc	5 3/8	1 1/2	7 1/2	1 1/2	9	4 3/8	5 1/8	..
Shattuck (F. G.)	12 3/4	5	13 1/4	5 3/4	13 7/8	6 3/4	7	.24
Shell Union Oil	8 3/4	2 1/2	11 5/8	4	11 1/2	6 3/8	6 3/4	..
Simmons Co	13 3/8	2 3/4	31	4 3/8	24 1/8	8 1/8	9	..
Socony-Vacuum Corp	12 1/4	5 1/4	17	6	19 7/8	12 1/2	14 3/8	.60
So. Cal. Edison	32 3/4	15 3/4	28	14 1/8	22 1/8	10 1/8	11 1/8	1 1/2
Standard Brands	17 7/8	8 3/8	37 5/8	13 3/4	25 1/4	17 1/4	18 3/4	1
Standard Gas & Elec. Co	34 1/4	7 5/8	22 1/2	5 1/8	17	6 1/4	7 3/8	..
Standard Oil of Calif	31 7/8	15 1/8	45	19 1/2	42 7/8	30 5/8	32 3/8	1
Standard Oil of N. J	37 3/8	19 7/8	47 1/2	22 3/4	50 1/8	40 5/8	42 1/2	1
Sterling Products	....	....	63	45 3/4	66 1/2	47 1/4	57 1/4	3.80
Stewart-Warner	8 1/2	1 7/8	11 1/2	2 1/2	10 5/8	4 1/2	5 5/8	..
Stone & Webster	17 3/8	4 5/8	19 1/4	5 1/2	13 1/4	4 7/8	5 3/8	..
Studebaker Corp	13 3/4	2 1/2	8 3/8	1 1/2	9 1/4	2 1/4	3	..
T								
Texas Corp	18 1/4	9 1/4	30 1/8	10 3/4	29 3/8	20	22 3/4	1
Texas Gulf Sulphur	26 3/4	12	45 1/4	15 1/4	43 1/4	30	34 7/8	2
Tide Water Assoc. Oil	5 5/8	2	11 3/4	3 1/8	14 3/8	8 1/2	9 1/2	..
Timken Roller Bearing	23	7 3/4	35 1/2	13 3/4	41	24	28 1/4	1
Transamerica Corp	7 1/8	2 1/8	9 3/8	2 5/8	8 1/2	5 1/8	5 1/2	†.25
Tri-Continental Corp	5 1/2	1 1/2	8 3/4	2 3/4	6 3/4	3 1/8	3 3/4	..
U								
Underwood-Elliott-Fisher	24 3/8	7 3/8	39 1/2	9 1/4	51 1/2	36	47	2
Union Carbide & Carbon	36 3/8	15 1/2	51 7/8	19 3/4	50 7/8	35 7/8	41 1/2	1.40
Union Oil of Cal	15 3/8	8	23 3/8	8 1/2	20 1/2	13 3/4	14 7/8	1
United Aircraft & Trans	34 3/8	6 1/2	46 7/8	16 1/2	37 3/8	11 1/2	12 1/2	..
United Carbon	18	6 5/8	38	10 1/4	46 1/2	35	40 5/8	2.40
United Corp	14	3 1/2	14 1/2	4	8 7/8	3 1/4	3 5/8	..
United Corp. Pfd	39 3/8	20	40 7/8	22 1/8	37 7/8	24 1/4	24 1/2	3
United Fruit	32 3/8	10 1/4	66	23 1/4	77	59	72 3/4	3
United Gas Imp	22	9 1/4	25	13 7/8	20 1/8	13 7/8	14	1.20
U. S. Industrial Alcohol	36 1/4	13 1/4	94	13 1/2	64 3/4	32	34 3/8	..
U. S. Pipe Fdy	18 1/8	7 1/4	22 1/8	6 1/8	33	15 1/2	18 1/4	.50
U. S. Realty	11 3/4	2	14 1/2	2 1/2	12 3/4	4	4 7/8	..
U. S. Rubber	10 1/4	1 1/4	25	2 7/8	24	11	15 1/8	..
U. S. Smelting, Ref. & Mining	22 3/4	10	105 5/8	13 1/2	141	96 5/8	119	†7
U. S. Steel Corp	52 5/8	21 1/4	67 1/2	23 3/8	59 7/8	29 3/8	31 7/8	..
U. S. Steel Pfd	113	51 1/2	105 1/2	53	99 1/2	67 1/4	72 1/4	2
Util. Power & Lt. A	10 3/8	1 1/2	8 7/8	1 7/8	5 3/8	2	2	..
V								
Vanadium Corp	23 3/4	5 1/4	36 1/4	7 5/8	31 3/4	14	15 7/8	..
W								
Warner Brothers Pictures	4 1/2	1/2	9 1/8	1	8 1/4	2 3/4	4 1/2	..
Western Union Tel	50	12 3/8	77 1/4	17 1/4	66 7/8	29 1/2	33	..
Westinghouse Air Brake	18 1/8	9 1/4	35 5/8	11 3/4	36	15 7/8	17 1/8	.50
Westinghouse Elec. & Mfg.	43 1/8	15 5/8	58 3/4	19 3/8	47 1/4	27 7/8	30 5/8	..
Woolworth Co. (F. W.)	45 5/8	22	50 7/8	25 1/8	54 7/8	41 1/4	47 3/4	2.40
Worthington Pump & Mach	24	5	39 7/8	8	31 7/8	13 1/2	15 1/2	..

† Paid this year. * Including extra.

Market Weighs New Deal Uncertainties

(*Continued from page 589*)

aggregate chain store sales holding 8 or 9 per cent above a year ago. The fact that heavy rains have broken the drought in various western states unquestionably will brighten the trade prospect for the rest of the year, at least as concerns consumption goods lines; even though it can mean little to the much more important heavy industries, which remain the sore spot of depression.

While employment and payrolls are declining, they remain substantially above the levels of a year ago, as indicated by the August statistics. Together with the fact that industrial activity is lower than it was a year ago and that retail trade is well maintained, the employment and payroll figures lend factual confirmation to the view that consumption has been running ahead of production. This should make possible a moderate recovery in production in the near future.

As will be observed, the current economic scene may be described as mixed and spotty. Not the least of its paradoxes, one notes that the Federal Reserve index of bank deposit turnover—showing the velocity with which "bank money" is being used—is at a new low for the year; while commercial paper outstanding is the largest since October, 1931, commercial loans continue to rise gradually and bank investments—other than in Government bonds—are expanding.

One can at least hope that the latter part of this paradox is the significant thing, showing a slow convalescence in the credit mechanism.

Movies Benefit from Clean-Up Drive

(*Continued from page 603*)

bailiwick. But there is always the ghostly vision of television!

There is a further point for the consideration of investors, and that is the growing inclination to view the production of motion pictures as something akin to public service, to transportation and the generation of electricity and the operation of telephone systems. It is coming to be argued that any medium of thought transmission which so vitally affects the thinking processes and the conduct of mankind as does the cinema must expect to encounter efforts to control and regulate it. The situation at present is showing the aroused revolutionary spirit of those whose protests have been too long ignored. Having focussed public attention upon the situation it is hardly to be expected that the churchmen will contentedly relinquish their position. It is not always realized that there are 240,000 churches in the United States and that each one of them has a preacher who stands for everything the movies have assumed to ignore.

This need not, for the reasons given above, affect the motion picture as an investment, for it is being proved with almost every week that passes that good pictures and popular pictures can be produced, and that these will attract the public in paying quantities. And it is well to remind the producers that while they are, as they so heatedly protest, manufacturing entertainment and not preachments, there is no reason to ignore the enormous field offered by the churches or the tremendous possibilities for dramatic presentation of religious principles. Indeed, one may offer to the producers that sage advice so successfully used—for a time—by Mr. Hays: "If you can't control 'em, join 'em."

A New Wave of Depreciation Threatens World Currencies

(*Continued from page 591*)

whole edifice of world economy commenced to crumble. England's currency was the first important one to break and it carried with it many others. Pressure on the rest of the world intensified. We threw up gold and started trying to put Humpty-Dumtpy together again. Pressure on everyone else. And now the gold bloc may complete one turn of the vicious cycle.

Surely, the world has arrived now at a point where to stop, look and listen is imperative. It is nonsense to suppose that any country can obtain other than a very fleeting advantage over another by depreciating its money and persistence in a belief to the contrary spells universal ruin.

The time has come for international agreement. Proceedings might well be initiated by a statement, giving real, definite assurances on the part of the United States Government that the present monetary unit of the country was not to undergo further tinkering. This might bring about some temporary deflation in this country, but it would on the other hand certainly be so reassuring to private capital that the latter might well start doing something. In addition to the assurances on the part of the United States, it would be necessary for the country to adopt a policy towards expenditures different to that currently existing. If this is not done, it is only a question of time before we will find ourselves unable to hold the present standard regardless of our willingness to do so.

Having taken these steps, or having expressed a desire to take them, we could approach the British Government with a view to obtaining an agreement from them that they would let sterling seek its natural level. After a reasonable period of trial, a conference, the delegates to which should have real power to bind their respective governments, would be held. To it the principal gold bloc countries would be invited. Or perhaps it would be necessary for only France to attend; for if the United States, England and France could agree upon a monetary policy, there would be little need to worry about what the rest of the world did.

Conceivably, France at this time might wish to devalue the franc in order to avoid making the full internal adjustment necessary to bring her internal price level into line with the other two countries. If she wanted to do this, neither the United States nor England could make valid objection.

The advantages of stabilization by international agreement is that the matter is made easier for everyone. If one country by itself should see the folly of progressive depreciation and decide to have no part in it, she would find herself in a position analogous to that of France today and it would take all her forbearance to stand firm until the others fell into line. Indeed, she might be unable to provide the forbearance required for the task, in which case stabilization would be possible only by international agreement.

Today is not too soon to do something about this matter, for the longer the world delays with this question of progressive currency depreciation, the more dangerous it becomes.

Answers to Inquiries

(*Continued from page 620*)

fied its activities by building up a substantial line of food products. The latter division came into being as a result of the company's desire to utilize its linseed crushing mills more fully by the production of edible oils. These oils are manufactured into nut margarines, salad oils, etc. In 1929 the food division was greatly expanded through the

acquisition of numerous going concerns which had long been established in related divisions of the business. With the advent of the depression and the consequent sharp decline in the demand for paints, lacquers and varnishes, the more stable food division amply demonstrated its value to the company and enabled a much better earnings record than would otherwise have been possible. The decided improvement which took place in the economic situation last year greatly stimulated sales of the paint division and enabled the company to report, for the fiscal year ended October 31, 1933, earnings equivalent to $1.54 a share on the common stock, against only 6 cents a share in the preceding year. This earnings improvement was extended during the first seven months of the current fiscal year, or the period ended May 31, last, when net income amounted to $1,091,931, and was equal, after allowing for dividend requirements on the 7% preferred stock, to $1.30 a share on the common. In the corresponding period of 1933, net income was $360,628, or 15 cents a common share. The balance sheet dated April 30, 1934, disclosed a strong financial condition, with current assets of $12,933,796 and current liabilities of only $2,922,413. Dividends are being paid at a regular annual rate of $1 per share on the common stock and directors in July, declared an extra of 15 cents a share. The company's paint division is expected to benefit from the Federal Government's program designed to stimulate home renovation and building, while the food division holds promise of gradual expansion. At current levels, therefore, we feel that you are fully warranted in purchasing the common stock both for the income afforded and appreciation.

R. J. REYNOLDS TOBACCO CO.

I am well pleased with my investment in Reynolds Tobacco. Now that it is selling at new highs, I would be interested in knowing its trend from here—and whether you counsel holding for further appreciation.—P. J. B., Rochester, Minn.

As a result of low cigarette prices and inroads made by the 10-cent brands, earnings of R. J. Reynolds Tobacco Co. in 1933 declined to the lowest level in many years. The company reported for that year a net income equivalent to $1.62 a share, as compared with per-share returns of $3.37 for 1932. Beginning with an upward revision in the wholesale price of "Camel" cigarettes in January, the situation turned decidedly for the better. Although costs have been increased as a result of the N R A code and the processing tax on raw tobacco, higher leaf prices have impaired the position of the 10-cent brand producers and it now appears that competition from this source is no longer a serious factor. Cigarette withdrawals during recent months have registered decided gains over corresponding months of last year, despite the price advance from $5.50 to $6.10 a thousand, which became effective last January. Earnings of Reynolds for the full year, therefore, should show definite improvement over those of 1933. Not only has the company benefited from higher cigarette consumption, but sales of its leading pipe tobacco, "Prince Albert," are also understood to have responded to the higher consumer purchasing power which has been in evidence for some time past. Financial condition of the company is excellent and this would allow maintenance of the present $3 annual dividend on the stock, even though not fully earned. On the basis of income afforded, and favorable long term possibilities, we counsel retention of your holdings.

FRANK G. SHATTUCK CO.

I can just about break even on 150 shares of Shattuck bought earlier this year. I would, therefore, appreciate your views on this company, and your advice as to whether I should hold or sell.—P. R., New York, N. Y.

Operating a chain of some forty-two restaurant and confectionery stores, situated principally in and around New York City, the Frank G. Shattuck Co. has established an enviable reputation for the high quality of its food and candies. As was the experience of practically all organizations dealing in quality merchandise, sales and earnings pursued a downward course from 1929 through 1933. Thus, net income in 1929 amounted to $3,355,720, or $2.60 a share on the capital stock. In 1933, net income was only $324,206, equivalent to 26 cents a share, or roughly one-tenth of 1929 earnings. It is gratifying to note, however, that while earnings have fallen substantially, a profit has been shown in each year of the depression. In the latest earnings report, which is that for the six months ended June 30, 1934, there was a net profit of $147,954, equal to 11 cents a share, compared with $35,913 loss in the corresponding interval of 1933. We assume, therefore, that the financial condition is not materially changed from that of the last year-end, when total current assets, including $6,110,106 cash and marketable securities, amounted to $7,754,731 and current liabilities were $612,330. In view of the fact that the company has in nowise altered its high standards of quality, any further increase in consumer purchasing power may be expected to find prompt reflection in sales. Liquor is now being served in several Schrafft restaurants and this is expected to improve the competitive position of the company. When consideration is given to the substantial per-share earnings of the company in pre-depression years, and in view of the belief that we are in an uptrend of the business cycle, we would suggest maintenance of your position in the stock, at current reasonable quotations.

NATIONAL DAIRY PRODUCTS CORP.

I now have 5 points profit in National Dairy. I am undetermined whether to hold or sell, so will appreciate any comment you would care to give me on this company and its prospects.—C. L. F., Cincinnati, Ohio.

Earnings of National Dairy Products Corp. during recent years have been adversely affected by an excessive supply of milk and consequent low prices as well as by declining sales. During the years immediately preceding the depression, the consumption of dairy products showed a steady up-trend and this encouraged breeding of dairy cattle. As depression influences began to curtail consumption, the milk supply could not be immediately adjusted to demand and this led to low prices and extensive competition from independent marketers whose chief appeal was "price." Although price reductions were in effect largely stood by the producers, profit margins of the large distributors were necessarily narrowed. With the vast majority of farmers unable to break even on their milk sales, there has naturally been some falling off in production and this likely will be accentuated by the drought which has curtailed forage and increased prices of feed stuffs. Concurrently there has recently been an increase in consumption as a result of higher consumer purchasing power. It would seem, therefore, that the outlook is for gradual improvement in milk prices henceforth. Although dollar sales of National Dairy in the first half of the current year showed an increase of approximately 17% over those of the corresponding interval of 1933, this sales expansion was not sufficient to offset higher costs. Net profit for the period amounted to $4,009,387, equivalent, after preferred dividend requirements, to 58 cents a share on the common stock, against $5,173,603, or 76 cents a common share in the first half of 1933. With the basic position of the dairy industry more favorable than has been the case for some time past, however, National Dairy should be able to adjust selling prices to conform more closely with present costs. In view of the company's strong financial condition and leading position in the industry, therefore, we feel that you

should retain your stock with a view to more favorable long term developments.

LOOSE-WILES BISCUIT CO.

I had thought Loose-Wiles would be doing better with higher food prices anticipated for this winter. But with its stock selling near the low for this year, possibly the outlook isn't so favorable. Please advise me.—R. D., Brooklyn, N. Y.

The decline in quotations for the common stock of Loose-Wiles Biscuit Co. may be attributed to the earnings contraction registered during the June quarter of the current year, in comparison with the corresponding interval of 1933. For the three months ended June 30 last, net income amounted to $313,218 or 48 cents a share on the common stock, as compared with $412,096 or 67 cents a share in the preceding quarter and $399,813, or 64 cents for the second quarter of 1933. The chief causes contributing to the reduction of earnings evidenced during the more recent past are the higher cost of operations and materials, as well as smaller sales volume during the latter part of the 1934 June quarter. As a result of the rather disappointing profits registered in the second three months period of the current year, net income dropped from $764,910 or $1.22 a share registered in the first six months of 1933 to $725,314 or $1.15 a share for the first half of the current year. Nevertheless, the per share returns thus far during the current year have covered dividend requirements, and there is ample basis for the belief that little difficulty will be experienced in providing full coverage for the balance of the year. This factor, coupled with a satisfactory financial condition of Loose-Wiles assures maintenance of the current dividend rate for the remainder of 1934, at least. In view of the fact that the shares cannot be regarded as particularly over-valued in relation to income return offered on capital invested therein, we do not favor the sale of your holdings at this time. The strong trade position of the company, its capable management and more favorable longer term prospects, justify your continued confidence.

TEXAS GULF SULPHUR CO.

What is your opinion of Texas Gulf Sulphur speculatively, and from the investment, angle? Do you think this company's earnings trend is still upward? Do you consider the present dividend rate secure? —S. H. L., Boston, Mass.

Operations of the Texas Gulf Sulphur Co., the world's leading producer of sulphur, reflect to a large degree the pace of industrial activity. The fertilizer, oil, chemical and steel industries are the largest consumers of sulphuric acid, the chief product of sulphur and a basic chemical which is utilized in almost every branch of industry. The price of sulphur has been stabilized for many years, with the result that no year-end inventory adjustments have been necessary during the depression year. The company earned $2.93 a share in 1933 compared with $2.37 in 1932. For the first half of 1934, earnings were equivalent to $1.32 a share against 95 cents in the initial six months of 1933. Stockholders will vote shortly on the proposed acquisition of the sulphur land rights of the Gulf Oil Corp. in exchange for 1,300,000 shares of Texas Gulf stock. Under the old lease agreement, Texas Gulf would soon have to pay a 50% royalty on profits from sulphur shipped from Boling Dome, which at present constitutes 60% of its sales. The acquisition of the Gulf Oil land rights will mean that earnings will be divided with Gulf Oil on a basis more favorable to Texas Gulf stockholders. Earnings can be expected to expand with increased industrial activity and the present dividend rate is considered secure. We endorse the issue as a longer term investment.

CHASE NATIONAL BANK

I would be interested in your views on the outlook for bank stocks at this time, particularly Chase National Bank. Do you think I am justified in holding this stock bought at around 33?—W. H. D., Chicago, Ill.

As a group, bank stocks reflect stock exchange fluctuations and the recent decline in market price does not bear upon intrinsic value. With few exceptions, second quarter earnings of local banks indicated profits in excess of dividends and after allowance for charge-offs and reserves. As of June 30, 1934, book value of Chase National Bank was $23 per share. Undivided profits on that date were $16,521,000 before the second quarter dividend on the common and preferred stocks. This compares with undivided profits of $11,375,000 as of March 31, last. At mid-year gross deposits were $1,533,447,000, an increase of $35,961,000 from March 31, last and $169,108,000 from the end of 1933. In 1933 Chase Bank reported net earnings after taxes but before allowances for reserves and charge-offs, of $25,298,000, equivalent to $3.42 per share. Second quarter earnings in 1934 were 63 cents per share. Also last year in addition to the large write-offs of previous years, over $70,000,000, the net amounts charged off and placed in reserve account were $78,696,971. German short-term credit commitments have been drastically reduced from the 1930 total of $115,980,378. Of the 1933 total of $34,949,331, only 3% was open credit, without pledged security. In 1933 it was reported that the entire holdings of the bank in the principal of the Cuban Public Works obligations amounted to a face value of $13,336,385. The Chase Bank operates profitable foreign and trust departments; recently the foreign department has enjoyed exceptional income from silver future markets. At current levels of approximately 22, Chase Bank stock, paying $1.40, gives a return of approximately 6%. It is our opinion that, under the present conservative management, the potential earning power of the Chase National Bank and the salvage possibilities from heavy write-offs fully justifies retention of stock purchased at higher levels.

N R A in Rehabilitation

(Continued from page 596)

latter actually achieved reinstatement after being fired, despite Johnson's epithetical rage. Central figure in office politics whirlpool is "Robby" Robinson the famous secretary who jumped from $25 a week to $6,000 a year within three months as General Johnson's assistant. A story is told about her that she saved one of the greatest codes from angry shipwreck by telling the General to reverse his attitude while she sent his chauffeur racing to catch the seething code bosses before they gave the signal for revolt.

Aside from labor, the greatest failure of N R A has been in respect of price regulation. Just as its labor policy encouraged labor to follow the path of revolt, its price policy has encouraged untimely and artificial price increases. Indeed, the two untoward results proceed from the same evil root of uneconomic interference with wages, hours and labor representation. Artificial prices for labor were inevitably and formally translated into artificial prices for goods. Whatever labor gained in pay it lost in price, and a barrier was set up in the road to recovery.

Prices rose more than consumption could stand, and production, of course, fell off. Today the country is in the strange position of witnessing an expansion of wholesale and retail trade, measured in money value, at the same time that production is diminishing. The conviction is growing that N R A is in effect holding back the normally rising tide of recovery. The "tyranny" of price and production control is raising up rebels in every code. Heresy in regard to artificial control of both price and production has appeared in

N R A itself, at the very fountain head of what should be its policies.

Price control, except for the natural resource industries, is likely to be deleted. And yet chilling dismay spreads through many of the Code Authorities as they think of what will probably be the immediate consequences of sudden price abandonment. It is calculated by one of the first five or six industries in the country that abandonment of price control would mean virtual suspension of the entire industry, a tremendous increase in unemployment, ruinous price cutting and widespread bankruptcy.

Leon Henderson, chief of the research and planning division of N R A has tendered his resignation because he finds that N R A policies are not promoting recovery. He is quoted as saying that the type of reorganization of N R A is far less important than the objectives at which it aims. These objectives are, of course, the purposes stated in the industrial act (notably, to promote the fullest possible use of present productive capacity), purposes which have been ignored. Henderson appears to hold that the codes in their effort to soften competition in the business world have brought about conditions which restrict production. Unemployment, he says, is brought about by interference with competition which keeps it from functioning freely and effectively. Presumably, this dictum applies to interference, whether by organized labor or by consolidated capital. It is a proper inference that business as well as labor has perverted the Recovery Act. It should be added that Henderson does not find fault with the Act itself. He approves the codification of business, and sees tremendous possibilities of constructive action under it.

Even with the best of policies and objectives, it must be said for N R A that it is confronted by a colossal and perhaps insuperable task of realizing all of them. That responsibility is necessarily largely upon the codes and code authorities. Today many of the authorities are faced with open or passive revolt. Price enforcement is virtually impossible in many instances. The authorities complain of delinquent compliance measures by N R A, but the trouble may be deeper than code or law, beyond N R A and the authorities. It may be as deep as the failure of prohibition—the utter inadequacy of any law which is not supported by public opinion.

When codes were all the rage there was a remarkable approach to unanimity among those subject to them, but the honeymoon is over and quarrels rage. Aside from group discontent there is a pervasive opinion that the whole New Deal is on the wrong track so far as recovery is concerned.

But it is prudent to observe that it is probably a fact that the best minds in all the great industrial groups are convinced that N R A is the present form of something which they want to keep. They do believe that there must be some orderly direction and control of business in its own interests if not in the public interest. The idea of business self-government under certain public sanctions appeals to them. These men are generally tolerant of present error and wrong in the hope that somehow there will grow out of N R A a medium through which capitalism may retain for society its peculiar virtues and add those of the ideals that inspire socialists. At the same time they admit that so far our efforts toward a planned economy have not only been discouraging, but make it doubtful whether a completely planned economy will ever be possible in the American scene.

Labor is now for the abolition of N R A in order to make way for a complete control of production under a national agency in which capital, employers, labor and consumers would equally participate. A large section of industry is in favor of a general retreat from virtually all interferences of government with business, except some broad safeguards of social welfare. And wonder of wonders, one of these broad safeguards is the anti-trust laws! Only the other day at a secret meeting of 150 industrialists it was advocated that the place of N R A was to control the monopolistic industries through "modified cartels", while other industries were to be left free from governmental supervision, under liberalized anti-trust laws, but authorized to group themselves together for self-government.

We are witnessing a reaction among capitalists toward capitalism. Capitalism is again exhibiting capitalists. If N R A and much else the New Deal has produced are to be condemned business must share the blame because it was so eager for Government to do so many things for it. For a while our capitalists were in reality our most influential socialists. They have recovered their identity a little late in the day, and they will probably never recover much of what they lost—perhaps should not—but the time is coming, if they will show their colors, when they will have their innings; possibly during the present Administration.

It is said on excellent authority that no matter how great the Administration victory in the Congressional elections, the President thereafter will be more intent upon recovery and less upon immediate attainment of the millennium, and that before the snows of winter shall have melted, the White House point of view will be more realistic than heretofore. The socialistic medicine men will have less influence and the orthodox doctors more in plotting the road out of depression. Why not? Already the Administration has admitted that profits are essential to business!

France Stubbornly Sticks to Gold

(*Continued from page 599*)

eign securities have fallen about 5 per cent. But there is little activity on the Bourse.

Railway car loadings and gross receipts are running 2 to 5 per cent below those of last year, month for month; and gross receipts for 1933 were 6 per cent below those of 1932.

The budget for 1935 has been nominally balanced at 47,000,000,000 francs —about $3,100,000,000, but actual deficits are chronic in France since the days of Poincare. The 1933 deficit was about 7,000,000,000 francs, and the 1935 budget is planned to take care of a big 1934 deficit. Economy on paper, at least, in line with the deflation policy of the government, is being rigidly followed.

Doumergue's heroic emergency economy decrees have resulted in an estimated decrease of 2,760,000,000 francs in governmental expenditures, besides 1,500,000,000 cut in military pensions. At the same time reduction in taxation, particularly income, is contemplated, although it is intended to spend considerable sums on public works as a relief measure. Despite rate cuts, it is hoped to increase revenues by widening the base of income taxation so as to reach some of the 15,000,000 persons who receive incomes but do not make income returns. The funds to be spent on public works are to be borrowed from the social insurance fund. Should employment not be increased and this fund be dissipated the resulting discontent might flame into revolt, as half the fund is contributed by the workers.

In general, it may be said that while the United States is endeavoring to spend its way out of the depression to the tune of colossal expenditures and appalling budgetary deficits France is trying organizingly to economize out of it. It is fair to say, however, that owing to the thrifty habit of the French people of taking care of themselves individually and by families, France has so far had only a trivial relief problem. Moreover, France which is a poor country relative to the United States, can resort neither to revenues nor borrowing on anything like the American

scale. The net national income of France even in 1929 was only $7,000,000,000, compared with $87,000,000,000 in the United States. After allowing for the difference in population the income of the latter would be four times that of the former.

At present the French treasury has no difficulty in obtaining current funds by short time borrowing, but the public appears to be wary of funding operations. In July the government fell short by 3,000,000,000 francs in an effort to float a 10-year note issue to meet a 3,000,000,000 maturity in October. Yet money is cheap and interest rates are falling.

The financing problem contributes greatly to French reluctance to meet the world situation by reducing the gold content of the franc. The French rentiers have a painful reminder in that price index level of 500 to remind them of what the devalution of the franc in 1928 meant to holders of fixed return investments, and the slightest intimation of any wavering in gold policy causes them to tighten their purse strings when the government talks of borrowing. One capital levy by inflation is about all they care for in a generation. They refuse to believe that domestic prices have not risen in countries which have deserted gold, in view of their own experience with inflation of the franc which left the bondholder with, say, a fixed five paper-franc return to meet a quintupling of prices.

On the other hand, France is, after all, a nation among nations, and the difficulties of standing out for a monetary unit which was in line with world price in 1929, while most of the world has gone to paper are enormous. It is exceedingly doubtful whether it will be possible to meet the premium of the franc in other currencies by deflation of French costs of manufacture, which is now the program. And the public is beginning to revolt against the incessant raising of tariffs, endless juggling with quotas and import licenses to stem the tide of imports, due to the fact that foreign goods are so much cheaper than formerly, measured by the franc. Two years ago a franc stood for about four cents in New York; now it is near 7 cents; or putting it the other way, the dollar is now worth only 15 francs in Paris, against 25.

Holland may go off gold any day; Switzerland and Belgium will follow, and France will then be the only country in the world which has not abandoned gold payments, devaluated, or resorted to makeshift devices of prohibiting exports of gold and efforts to keep to gold measure in foreign exchange and eschew it at home. Prices are slow to adjust themselves in popular acceptation to changes in currency. Even if foreigners do eventually have more money as their price levels rise they will still be impressed by the fact that their currencies exchange for fewer francs. France can hardly wait for readjustments of exchange psychology which may require five or ten years. Her exports are now only 40 per cent of what they were in 1929 and her imports about 50 per cent; while the number of tourists, whose expenditures in France are the equivalent of French exports, has been more than cut in two. As the international playground and a center of luxury trade, France has particularly suffered from the depression. There is little doubt that a shift in the monetary standard would improve her position in both these items as well as in foreign trade in general. As to whether the world would benefit if France joined the inflation procession is a dubious question. Some financiers hold that it is important to have one great currency stand fast, while others think that the sooner France lines up monetarily with other nations the better for all, because it is thought such an event will hasten a general return to an international gold standard.

France commands admiration for having uncompromisingly held to gold against a paper world, and her example reminds us that we could have stood with her. But as one of her marshals exclaimed as he witnessed the glorious but futile charge of the British Light Brigade at Balaklava: "It is magnificent, but it is not war."

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1934 Price Range High	Low	Recent Price
Alum. Co. of Amer	85 3/4	48 1/4	52
Amer. Cyanamid B (.25)	22 1/2	14 3/4	16 1/4
Amer. Gas & Elec. (1)	33 3/8	18 5/8	20
Amer. Lt. & Tr. (1.60)	19 3/8	10 1/8	10 3/4
Amer. Superpower	4 7/8	1 3/4	1 7/8
Assoc. Gas Elec. "A"	2 3/8	7/16	11/16
Atlas Corp	15 1/2	7 3/4	8 3/8
Cities Service	4 1/4	1 5/8	1 7/8
Cities Service Pfd.	26 7/8	11 1/4	15 1/4
Colum. G. & E. cv. Pfd. (5)	103	67	73
Consol. Gas Balt. (3.60)	68	53	63
Creole Petroleum	14 3/8	9 5/8	13 1/2
Distillers Cp. Seag	26 5/8	8 7/8	15
Elec. Bond & Share	23 1/2	9 1/8	9 7/8
Elec. Bond & Share Pfd. (6)	60	31	38 3/4
Elec. Pr. Assoc. (.40)	8 1/4	3 7/8	4 3/8
Ford Motor of Can "A" (.50)	24 7/8	15	20 5/8
Ford Motor, Ltd.	9 5/8	5 1/2	9 1/8
Glen Alden Coal	24 3/8	10 3/4	21
Great A. & P. Tea N.-V. (7)	150	122	129 1/2
Greyhound Corp	20 1/8	5 3/8	16
Gulf Oil of Pa.	76 3/4	50	55
Hollinger Gold (1.05)	22 1/4	11 3/8	21 3/4
Hudson Bay M. & S.	15 3/8	8 3/4	14 1/4
Humble Oil (1)	46 3/8	33 1/4	42 1/4
Imperial Oil (.65)	15 1/2	13	15 1/2
Inter. Petrol. (1.56)	30 5/8	19 3/8	28 7/8
Lake Shore Mines (3)	60	41 1/2	59
Niagara Hudson Pwr.	9 3/4	4 1/4	4 1/4
Novadel-Agene (2)	23 1/4	17	20
Parke, Davis (1.30)	26 3/8	22 3/8	26 3/8
St. Regis Paper	5 1/8	2 1/8	2 1/4
South Penn. Oil (1.20)	26 1/2	17 1/2	21
Standard Oil, Ky. (1)	17 5/8	14 5/8	15 3/8
Swift & Co. (.50)	20 3/8	13 7/8	18 7/8
Swift Int'l (2)	40 1/2	23 3/4	38 1/2
Technicolor	14 3/4	7 5/8	12 1/2
Tech Hughes (.40)	8 1/8	4 3/8	4 1/2
United Foundries	1 1/2	1/2	1/2
United Gas Corp	3 3/4	1 3/4	1 7/8
United Lt. & Pwr. A	5 3/8	1 1/2	1 5/8
United Shoe Mach (5)	68 3/8	57 3/4	63
Walker Hiram H. W	57 1/2	21 3/4	26 1/2
Wright Hargreaves (.60)	10 3/8	6 5/8	9 5/8

Bootlegging and Taxation Handicap Liquor Industry

(*Continued from page 613*)

Receivables are another item which may further "freeze" his working capital. Formerly, it was the practice of distillers to sell warehouse receipts against liquor in storage, thereby realizing an immediate cash return but since Repeal most of the larger distillers have preferred to retain full title to aging stocks until they are actually placed in the channels of distribution. Naturally, this will tend to postpone or limit dividends until stocks have been built up sufficiently for normal purposes. Although only a small portion of original production was retained for aging, it is estimated that recently as much as 50% of total production is going into storage. At this rate it will require at least three years for the domestic industry to build up sufficient stocks to meet blending requirements.

The rapid turnover of stocks in the first months of Repeal enabled producers to do business with distributors on practically a cash basis. Since then, however, collections have slowed up perceptibly and in the case of those states which operate their own liquor stores, producers have been placed in the position of practically doing the entire financing of the state monopoly. As sales have slackened and profits declined in these states' monopolies, the portion of "frozen" receivables held by producers has become progressively larger. This phase of the present situation, however, would be substantially corrected by increased sales.

With the season of heaviest consumption close at hand, there should be a marked upturn in sales. This however is unlikely to prove more than a temporary respite unless the legitimate producer, wholesaler and retailer are given a fair opportunity to compete with the bootlegger and drive him out of business. Increased efficiency in the organization of the industry should permit some further, albeit moderate, reduction in prices but in the final analysis the situation boils down pretty convincingly to the matter of taxes. A more realistic attitude on the part of Government, state and city authorities would do more than anything to relegate the bootlegger to the limbo of forgotten people and put the liquor industry on a sane and stable basis—to say nothing of enriching their own tax coffers.

So far as representative liquor stocks are concerned, the shares of the leading companies as National Distillers and Schenley appear to be selling at levels which not only disregard reported earnings but rather thoroughly discount the adverse factors in the situation. This is also true of the two leading Canadian issues, Distillers Corp.-Seagrams and Hiram Walker. It is probable, therefore, that anything in the nature of constructive developments would be promptly translated into higher quotations. It must be recognized, however, the liquor stocks are still highly speculative; dividends remain some distance away; and the promise of substantial price appreciation must be largely a long term viewpoint.

Significant Foreign Events

(*Continued from page 593*)

Spain, prevented from remitting dividends accruing from domestic business activity, exports from the Spanish plant to other countries billing remittances to offices located in countries not having exchange restrictions. It frequently happens that in this way profits arising from business within any particular country cover plant and operating costs, while dividends are obtained from net profits on exports. Remington Rand, still enjoys an active business through the operation of its plant in Germany, covering the sales territories of Central Europe. In this way, certain tariff advantages are frequently enjoyed, which would be otherwise unobtainable if exports originated exclusively in the United States.

In any event, during these times of domestic political and economic uncertainty, companies operating manufacturing units abroad, or participating through holding companies in foreign industrial enterprise, afford at least the added security for investors of geographical diversification.

In the broader sense, the observation may be made that since most people watch their pocket books with greater care than their politics, the internationalization of industrial dividends may, in the long run, prove a more practicable guarantee of peace than the League's present efforts to keep the world in order, merely by methods of moral suasion.

As I See It

(*Continued from page 587*)

toward a more radical state are made to draw a large following. Thus it becomes comparatively easy for Postmaster General Farley to build a political machine which draws as much power from its patronage as any of the local political organizations which for decades have by similar tactics fattened on the taxpayers of our largest cities.

Nor is it hard to understand how thousands of people in distress and suffering will find it politic to follow the dictates of those who control the distribution of largesse in the shape of expenditures and relief. It is not surprising that the people forget that the politician is merely a distributor of other people's money and not the donor.

It is not a new form of government

which is needed today, nor even an extension of the authority of the present government, but a sane and common sense administration which rests on the foundation of that form of capitalism which has already demonstrated its ability to provide the greatest comfort and happiness to the greatest number. The demand for such an administration obviously constitutes a challenge to leadership not only in the highest office but throughout Congress and the judiciary. Such leadership must become active in both political parties before we shall enjoy enduring recovery. The Republican party was defeated two years ago because it had grown soft and weak in office. If it is to come back, if only to the extent of electing a representative strong minority in Congress, it must offer a more inspiring type of leadership in its candidates than ever before. If it is to represent the conservative thought of the country when the New Deal meets its final test two years hence its obligation to present more able leaders than those recently suggested in party councils is overwhelming.

Early Recovery or Government Ownership for the Railroads

(*Continued from page* 608)

lems. It is the purpose of this movement to include every phase of railroad transportation and to employ every constructive approach, not merely in the solution of difficulties, but in hastening and directing the improvement and development of the industry." This new organization had its origin largely in the insistence of a group of prominent insurance companies and savings banks that the railroads make public a well-defined policy and set up an organization to make it effective. The proposed Association of American Railroads has the approval and will receive the co-operation of this group. It has been approved by Joseph B. Eastman, Federal Co-ordinator of Transportation.

There is some question, even among prominent railway executives, as to the wisdom of the I C C granting the application recently filed by the carriers, calling for a general increase in freight rates, averaging about 10%, and calculated to produce approximately $170,000,000 additional revenue a year. Some of them are not certain whether the increases would prove more beneficial than detrimental in the long run, but they expect that at least some increases will be granted. Mr. Eastman says the railroads need more traffic rather than higher rates.

The application was made in an effort to meet in part the $353,000,000 estimated additional expense placed upon the railroads by the Government, Of this large amount it was estimated that $293,000,000 would represent the increase in the cost of materials and supplies under N R A requirements, and from the restoration of the 10% deduction in wages that became effective to the extent of 2½% on July 1 of this year. The balance would represent the amounts that must be set aside by the railroads for pensions under the new law, based on 4% of gross earnings. It may be stated bluntly, without fear of serious contradiction, that the railway executives decided that, inasmuch as the Government had placed this big additional expense upon them, it was only reasonable to put the burden of finding a part of the money upon the I C C the regulatory body of the Government with respect to the railroads.

The figures mentioned are big and the executives could see no way of meeting any part of the increase in operating expenses from these three sources, except through higher freight rates. If the I C C were to grant every new schedule set up in the comprehensive application, and if, in every instance, the higher rates could be obtained, it was estimated that only $170,000,000 of the $353,000,000 additional operating cost could be realized. The balance of $183,000,000, it was suggested, could come only from a general expansion in the volume of freight traffic obtainable by the railroads, which, by the way, is not definitely in sight.

Right here is the big difficulty. Some prominent railway executives, without knowing what other steps to take to cover even a part of the additional operating costs, are not certain that the higher tariffs will prove practical and helpful. Some of them are not certain either that they can put those rates into effect on certain commodities between certain important points, where the truck is a particularly active competitor of the railroads. For instance, it is officially estimated that between the Twin Cities and Chicago the trucks take each year $6,000,000 of less than carload freight from the tained, it was estimated that only $170,- railroads. It is feared that if rates were raised between these points the railroads would lose still more traffic.

Those who are not heartily in favor of the proposed higher rates think that the entire freight rate structure should be at least simplified greatly as to the present numerous and complicated classifications. Other executives contend that the freight rate structure was worked out when the railroads had a monopoly of freight traffic and that, as this condition no longer exists, the structure should be thoroughly overhauled to meet present economic and competitive conditions. Proponents of the new tariffs recently filed reply that this would take too long and would not meet the present emergency. If done the revision should be spread over a considerable period of time.

Although the President appointed Joseph B. Eastman, Federal Co-ordinator of Transportation, and although regional co-ordinating committees were appointed to work in the principal geographical centers of the country, under his direction, very little of a practical nature has been accomplished, chiefly because co-ordination of physical facilities of the railroads involved at once laying off workers. This conflicted with the labor clause of the Transportation Act, knowns as 7A, and the President directed that the co-ordinating committees go slow on throwing railroad employees out of work. Consequently, co-ordination has meant largely numerous and elaborate studies of various outstanding features of railroad management, by a large staff under the direction of Mr. Eastman, and at a rather heavy pro rata expense to the railroads. However, as has recently been well said editorially, what is needed now is action rather than more studies.

What action is taken by the President, I C C, Congress, security owners and the public, before the next session of Congress adjourns, will be vital to all concerned. What is done or not done probably will decide whether this country will have government ownership of its railroads within the next few years. It is for security owners, railway executives and the public to decide also whether they want this to happen. Within the period indicated security owners and the public should follow and study closely all developments in connection with the railroads and co-operate whole-heartedly and aggressively to save them—if they want them saved and restored to prosperity again.

Some close students of the present financial position of the railroads, and the market quotations for their securities, believe that if, under these conditions, the Government were to take over the properties there would be very little equity for stockholders in the case of companies whose fixed charges are high, short term loans large and earnings relatively low. This idea is worthy of the most careful consideration by those most vitally involved.

If, on the other hand, what is done for the railroads that should be done and can be done, and with a further substantial increase in traffic and earnings, there is no reason why the rail-

Bank, Insurance and Investment Trust Stocks

ACTIVE ISSUES

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bankers (3)	49	51
Brooklyn (4)	74	79
Central Hanover (7)	102	106
Chase (1.40)	20½	22
Chemical (1.80)	34½	36½
City (1)	19¼	20¾
Corn Exchange (3)	42	43
Empire (1)	17	18
First National (100)	1325	1365
Guaranty (20)	273	278
Irving Trust (1)	13½	14½
Manhattan Co. (2)	24¾	26¼
Manufacturers	17¼	18¾
New York (5)	84	87
Public (1.50)	26	27½
United States Trust (70)	1595	1645

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (1.60)	38	40
Aetna Life (40)	15½	17
Carolina (1)	18¾	20¼
Glens Falls (1.60)	28¾	30¼
Globe & Rutgers	35	38
Great American (1)	18½	20
Hanover F. (1.60)	30	32

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Hartford Fire (2)	49¾	51¾
Home (1.10)	24½	26
National Fire (2)	50½	52½
North River (.85)	20¼	21¾
Phoenix (2)	61½	63½
Travelers (16)	395	405
United States Fire (1.60)	35½	37½
Westchester F. (1.30)	24¼	25¾

INVESTMENT TRUSTS SHARES

	Bid	Asked
Amer. Founders Trust 7% Pfd.	10½	14
Amer. & Gen. Sec. $3 Pfd	38	43
Bullock Fund	10½	11½
Collateral Tr. Sh.—A	4	4⅝
Corporate Trust—AA	1.98	2.11
Incorporated Investors	15.24	16.38
Interl. Sec. Corp. of Amer., Pfd	11	15
Do Cum. Pfd.	11	15
Nation-Wide Securities—B	2.83	2.93
No. Amer. Trust Shares (1958)	2.10	2.35
Second Intl. Securities A	¼	1
Do 6% Pfd	23	27
Spencer Trask Fund	13.13	13.96
U. S. & British Internl. Pfd.	5	7

roads of this country should not continue under private ownership, prosper, and the better ones restore dividends within a reasonable time. Which alternative do the various groups named in this article want? Answer by your action in the next six months.

Dollars from Bananas

(Continued from page 615)

established a minimum price of 2.29 cents at which sales may be made in the United States. While it is probable that a large portion of the company's quota has been disposed of previously at prices lower than the minimum, but at a higher average than 1933, there remains the profitable augury of higher prices for the final quarter and the 1935 year.

In the first eight months of 1934, banana shipments received in the United States and Canada were 20% ahead of the same period of last year and it is safe to assume that United Fruit has accounted for the lion's share of this gain. Prices remain unchanged from last year, while the prices of other domestic fruits and foods have risen—a condition which doubtless has stimulated sales of bananas.

As to current shipping operations, one can only conjecture at this time. In view of the continued restriction of foreign trade generally, however, it is unlikely that little more than moderate improvement has been registered this year. There is, on the other hand, a phase of the company's activities which bids fair to become increasingly important. Last year United Fruit placed into operation the Refrigerated Steamship Line, Inc., with service from Jacksonville and Tampa to North Atlantic ports and offering citrus fruit growers refrigerated transportation at substantially lower costs. The demand for this service has grown rapidly and there are many who regard this step as the forerunner of a new chapter in the company's career—entry into the citrus fruit industry. Certainly this would not be an illogical step.

The Government policy of negotiating reciprocal trade agreements with foreign nations along lines similar to the one recently signed with Cuba opens up another field of interesting conjecture. Central and South American countries are fertile ground for such negotiations. In Honduras, for example, 80% of the imports come from the United States while of exports, which are about double imports, 68% go to the United States. Practically all of this trade is carried in United Fruit boats. Naturally anything which would result in increased trade between this country and the Central American nations would be viewed with considerable satisfaction by United Fruit and should redound to the benefit of its stockholders.

Financially, United Fruit is practically independent. Funded debt of about $14,000,000, borrowed from the Government for the construction of new ships, could be paid without difficulty out of cash assets. The bulk of this debt, however, costs only 3% annually. Last June, cash and Government bonds, were in excess of $39,000,000 and equal to about $3.30 for each $1 of current debt. Stock capitalization of 2,925,000 shares is moderate and readily supportable by a reasonably proportionate dividend. Over a long period of years the company has built up a large and comprehensive organization functioning as a unit but withal retaining sufficient flexibility in all branches to permit prompt and adequate adjustment to changing conditions. It has proven its ability to withstand all manner of hazards attendant upon its business and it has achieved maturity but not senility. Founded upon this background, the company's shares are not unworthy of the high regard in which they have long been held in conservative New England—and elsewhere.

At prevailing quotations around 73, United Fruit shares command a sizable premium if current earning power alone is considered. Looking back, however, at the company's enviable record and looking forward to the potentialities present in several phases of the company's activities, it is not difficult to justify the liberal market appraisal.

MARKET STATISTICS

	N. Y. Times	—Dow, Jones Avgs.—		N. Y. Times —50 Stocks—		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, September 10	79.26	89.27	34.10	79.06	77.13	4,043,570
Tuesday, September 11	78.95	89.25	34.21	77.57	76.56	5,104,490
Wednesday, September 12	78.57	89.62	34.57	78.16	77.20	3,251,190
Thursday, September 13	78.44	89.44	34.52	78.25	77.36	3,142,040
Friday, September 14	78.02	86.83	33.43	77.47	75.55	1,914,280
Saturday, September 15	77.90	87.34	33.42	76.18	75.60	724,520
Monday September 17	77.67	86.69	33.19	76.11	74.96	648,580
Tuesday, September 18	77.55	87.37	33.22	76.47	75.51	535,200
Wednesday, September 19	78.19	89.34	34.27	78.00	76.71	556,780
Thursday, September 20	78.59	89.35	34.71	78.27	77.36	487,000
Friday, September 21	79.06	91.10	35.29	79.65	78.05	712,010
Saturday, September 22	79.25	91.08	35.51	79.90	79.21	283,510

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